PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

November 12, 2015

Advice Letter 4874

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

Subject: Description of Program Mechanics and Tariff Modifications in Compliance with D.15-06-029 Related to the Adoption of Biomethane Promotion Policies and Program

Dear Mr. van der Leeden:

Advice Letter 4874 is effective November 8, 2015.

Sincerely,

Edward Randolph
Director, Energy Division

Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
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October 9, 2015

Advice No. 4874
(U 904 G)

Public Utilities Commission of the State of California

Subject: Description of Program Mechanics and Tariff Modifications in Compliance with D.15-06-029 related to the Adoption of Biomethane Promotion Policies and Program

Southern California Gas Company (SoCalGas) hereby submits revisions to its tariff Rule No. 39, Access to the SoCalGas Pipeline System, for approval, applicable throughout its service territory, as shown on Attachment A. The tariff modifications are based on the program mechanics, as described in Attachment B.

Purpose

The purpose of this Advice Letter (AL) filing is to comply with Decision (D.) 15-06-029, Regarding the Costs of Compliance with D.14-01-034 and Adoption of Biomethane Promotion Policies and Program, Ordering Paragraph (OP) 3 which states the following:

> *In order to specify which costs incurred by the developer of the biomethane project are eligible for the monetary incentive program, and to describe the program mechanics related to the distribution of funds to the developer, the utilities shall jointly fill a Tier 2 Advice Letter to modify each of their existing interconnection tariffs. This Advice Letter shall set forth a description of the types of costs that qualify as interconnection costs under the monetary incentive program. In addition, the Advice Letter shall specify the process for determining if a facility has met the 30-day operational requirement, and the process for the distribution of the incentive payment. The Energy Division has discretion over the content and disposition of the Advice Letter and may elect to hold an informal workshop on the utilities' proposal in this Advice Letter before approving or rejecting this Advice Letter filing.*

As ordered by the California Public Utilities Commission (Commission or CPUC), the tariff modifications, based on the program mechanics, were developed in collaboration and consultation with San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), and Southwest Gas Corporation (SWG), collectively referred to as “Joint Utilities.” However, due to differences in tariff filing systems, each utility is filing their own Advice Letter.

Background

To implement Assembly Bill 1900 provisions, the Commission issued Rulemaking (R.) 13-02-008. R.13-02-008 was divided into two phases. Phase I addressed biomethane standards and requirements relative to health, safety and facility integrity, and related enforcement provisions. Phase II addressed the costs of complying with the Phase I standards and protocols.

On June 11, 2015, the Commission issued the Phase II decision, D.15-06-029, which among other things, adopts a policy and five-year monetary incentive program to encourage biomethane producers to design, construct, and to successfully operate biomethane projects that interconnect with the gas utilities’ pipeline systems so as to inject biomethane that can be safely used at an end user’s home or business. The monetary incentive program is a state-wide program that is capped at $40 million and provides a biomethane producer 50% of the project’s interconnection costs, up to $1.5 million, to help offset interconnection costs associated with the successful interconnection of the biomethane facility to the utility pipeline system.

Proposed Revisions

In compliance with D.15-06-029, the Joint Utilities developed the program mechanics described in Attachment B. These mechanics: (1) set forth a description of the types of costs that qualify as interconnection costs under the monetary incentive program; (2) specify the process for determining if a facility has met the 30-day operational requirement; and (3) specify the process for the distribution of the incentive payment. The program mechanics are reflected in Rule No. 39 as delineated in Section A.3.a.

The redline version of Rule No. 39 reflecting the changes described herein is available upon request.

Protests

Anyone may protest this AL 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 received within 20 days of the date of this AL which is October 29, 2015. 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 be sent via e-mail to the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the addresses 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
Facsímile No: (213) 244-4957
E-mail: snewsom@SempraUtilities.com

Attn: Yvonne Mejia Peña
Regulatory Case Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsímile No: (213) 244-3214
E-Mail: ymejia@semprautilities.com

Effective Date

This filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval), pursuant to General Order (GO) 96-B. The Joint Utilities respectfully request that this AL be approved on November 8, 2015, which is 30 calendar days from the date filed.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list in R.13-02-008. Address change requests to the GO 96-B should be directed by electronic mail to tariffs@socalgas.com or call 213-244-3387. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
Director – Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 9O4G)**

Utility type:	Contact Person: Sid Newsom
☐ ELC ☒ GAS	Phone #: (213) 244-2846
☐ PLC ☐ HEAT ☐ WATER	E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4874

Subject of AL: Description of Program Mechanics and Tariff Modifications in Compliance with D.15-06-029 related to the Adoption of Biomethane Promotion Policies and Program

Keywords (choose from CPUC listing):

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.15-16-029

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? ☐ Yes ☒ No

Tier Designation: ☐ 1 ☒ 2 ☐ 3

Requested effective date: 11/8/15

No. of tariff sheets: 7

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Rule No. 39 and TOCs

Service affected and changes proposed[1]: 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
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
SNewsom@semprautilities.com
tariffs@socalgas.com

[1] Discuss in AL if more space is needed.

ATTACHMENT A
Advice No. 4874

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 51962-G	Rule No. 39, ACCESS TO THE SOCALGAS PIPELINE SYSTEM, Sheet 1	Revised 49726-G
Revised 51963-G	Rule No. 39, ACCESS TO THE SOCALGAS PIPELINE SYSTEM, Sheet 2	Revised 49727-G
Revised 51964-G	Rule No. 39, ACCESS TO THE SOCALGAS PIPELINE SYSTEM, Sheet 3	Revised 49728-G
Revised 51965-G	Rule No. 39, ACCESS TO THE SOCALGAS PIPELINE SYSTEM, Sheet 4	Revised 49729-G
Original 51966-G	Rule No. 39, ACCESS TO THE SOCALGAS PIPELINE SYSTEM, Sheet 5	
Revised 51967-G	TABLE OF CONTENTS	Revised 51747-G
Revised 51968-G	TABLE OF CONTENTS	Revised 51961-G

Rule No. 39 Sheet 1

ACCESS TO THE SOCALGAS PIPELINE SYSTEM

The Utility shall provide nondiscriminatory open access to its system to any party (hereinafter "Interconnector") for the purpose of physically interconnecting with the Utility and effectuating the delivery of natural gas, subject to the terms and conditions set forth in this Rule and the applicable provisions of the Utility's other tariff schedules including, but not limited to, the gas quality requirements set forth in Rule No. 30, Section I. None of the provisions in this Rule shall be interpreted so as to unduly discriminate against or in favor of gas supplies coming from any source.

A. Terms of Access

1. The interconnection and physical flows shall not jeopardize the integrity of, or interfere with, normal operation of the Utility's system and provision of service to its customers.

2. The Interconnector and Utility must execute Form No. 6450, Interconnection Agreement (IA) and Form No. 6435, Operational Balancing Agreement (OBA). If the Interconnector is a California Producer without an effective agreement providing for access to the Utility's system, then that Interconnector and the Utility must execute Form No. 6454, California Producer Interconnection Agreement (CPIA) and Form No. 6452, California Producer Operational Balancing Agreement (CPOBA).

3. The Interconnector shall pay for all equipment necessary to effectuate deliveries at point of interconnection, including, but not limited to, valves, separators, meters, quality measurement, odorant and other equipment necessary to regulate and deliver gas at the interconnection point. The Interconnector shall also pay for computer programming changes to the Utility's Electronic Bulletin Board (EBB) scheduling system, if any, required to add the Interconnector's new interconnection point. The Interconnector and the Utility must execute Form No. 6430, Exhibit D, Interconnect Collectible System Upgrade Agreement or Form 6456, Exhibit C, California Producer Interconnect Collectible System Upgrade Agreement (CPICSUA).

   a. Pursuant to D.15-06-029, the Utility shall provide a monetary incentive to eligible Biomethane Interconnectors for a period of five years, ending on June 11, 2020, or until the program has exhausted its $40 million funding. If there are funds remaining at the time of program termination, Biomethane Interconnectors that have started to deliver qualifying biomethane into the Utility's pipeline system as of the termination date of this program are eligible for an incentive payment if they otherwise meet the program criteria. The monetary incentive is for 50% of the eligible interconnection costs incurred by a Biomethane Interconnector, up to $1.5 million per interconnection. To be eligible, Biomethane Interconnector deliveries must: (1) comply with Utility Tariff Rule Nos. 30 and 39; and (2) produce biomethane flow for 30-consecutive days within the minimum and maximum measurement range of the meter. The 30-consecutive day requirement does not restart if the Biomethane Interconnector is unable to produce flow because of an interruption of delivery as set forth in Rule No. 23. N

L

(Continued)

Rule No. 39 Sheet 2
ACCESS TO THE SOCALGAS PIPELINE SYSTEM

(Continued)

A. Terms of Access (Continued)

a. (Continued) N

The monetary incentive is limited to eligible interconnection costs, which include Consulting Service Agreement (interconnection capacity study and preliminary and detailed engineering studies) costs, and costs associated with facilities downstream of the Biomethane Interconnectors' processing plants used for delivering biomethane into the Utility's system. Other costs associated with processing and blending facilities upstream of Utility point of receipt interconnection point, including facilities serving natural gas to the Biomethane Interconnector's facilities, are ineligible. N

Within 60 days following the 30-day continuous delivery, the Utility will pay the Biomethane Interconnector in the amount of 50% of the eligible reconciled and undisputed portions of the interconnection costs, not to exceed $1.5 million. Payment will be provided to the Biomethane Interconnector if all costs have been paid in full; if there are remaining costs it shall be treated as a credit. In the event that all interconnection costs have not been reconciled by the utility and the developer within 60 days following the 30-days consecutive deliveries, the Utility shall resume paying the Biomethane Interconnector upon cost reconciliation. If additional eligible cost information becomes available within 12 months following the initial payment, the utility shall pay to the Biomethane Interconnector for 50% of the remaining eligible interconnection costs, not to exceed $1.5 million including all previous payments. The Utility will provide notification to the CPUC Director of the Energy Division and the Biomethane Interconnector of the initial payment as well as any other potentially eligible future payments. N

4. The point of interconnection shall be established as a transportation scheduling point, pursuant to the provisions of Rule No. 30, if the Interconnector abides by the standards of the North American Energy Standards Board. L

(Continued)

Rule No. 39 Sheet 3

ACCESS TO THE SOCALGAS PIPELINE SYSTEM

(Continued)

A. Terms of Access (Continued) L

5. The maximum physical capacity of the interconnection will be determined by the sizing of the point of receipt, including the metering and odorization capacities, but is not the capacity of the Utility's pipeline system to transport gas away from the interconnection point and is not, nor is it intended to be, any commitment by the Utility of takeaway capacity. The Utility separately provides takeaway services, including the option to expand system capacity to increase takeaway services, through its otherwise applicable tariffs.

6. The available receipt capacity for any particular day may be affected by physical flows from other points of receipt, physical pipeline and storage conditions for that day, and end-use demand on the Utility's system.

7. The Utility will expand specific receipt point capacity and/or takeaway capacity at the request and expense of a supply source, third party storage providers, CPUC-regulated intrastate pipelines, interconnecting interstate pipelines, or other parties. The Interconnector and the Utility must execute a Collectible System Upgrade Agreement (Form 6420) prior to any work being completed.

8. As defined in an IA, the Interconnector shall pay all costs associated with the odorant of the delivered natural gas less the historical costs, on a per unit basis; the Utility has paid for odorant required for existing interstate supplies being delivered as of the date of D.06-09-039. The historical cost is $0.0003 per Dth. As defined in a CPIA (Form 6454), the Interconnector shall pay all costs associated with the odorization of the delivered natural gas.

9. An Interconnector that is a California Producer that currently has, or will be requesting, access to the Utility's transportation system or is presently interconnected to the Utility without a gas chromatograph and all related equipment, communications facilities and software shall fund Utility installation of a gas chromatograph and all related equipment, communications facilities and software for the purpose of gathering data and monitoring and enforcing gas quality, as specified in Rule No. 30. Refusal on the part of a California Producer to accept these conditions will result in the denial of access to the Utility's transportation system. L

(Continued)

Rule No. 39 Sheet 4

ACCESS TO THE SOCALGAS PIPELINE SYSTEM

(Continued)

B. Interconnection Capacity Studies L

1. Any party, including an interconnecting pipeline or a supply source, may request an Interconnection Capacity Study to determine the Utility's downstream capability to take natural gas away from the interconnection point and the associated Utility facility enhancement costs. Upon the request of an entity to establish or increase takeaway capacity from a receipt point, the Utility will make a timely determination of the facilities (and facility modifications) and associated costs that are required to add the requested takeaway capacity on both a Displacement Receipt Point Capacity basis and Expansion Receipt Point Capacity basis. The Utility shall make this determination on a nondiscrimatory and transparent basis, without favoring any region of its territory and without favoring any entity.

2. All analyses shall take into consideration new supplies and facilities that have been or will be installed pursuant to a previously executed Collectible System Upgrade Agreements (CSUA) in effect. Priority for purposes of determining facility costs will be established on the basis of the date a party executes a CSUA. The CSUA shall include the activities from initial study through construction under terms mutually agreeable to the Utility and the party in Appendix "B" to the CSUA. In order to keep its place in the priority established by D.06-12-031 for determining facilities costs, an Appendix "B" must be completed within 90 days of the Commission Resolution approving Advice Letter 3706-A. The Utility shall maintain a queue of executed CSUAs with completed Appendix "B", including project milestones and completion dates. Any CSUA party will be subject to replacement in the queue if any date for performance within its CSUA has expired. The Utility will be provided a 30-day notice of cancellation and allow for a subsequent 60-day period to cure any non-performance. The Utility will file an Advice Letter for Commission approval to re-order the queue due to the non-performance of a CSUA holder.

3. Any party interested in funding an Interconnection Capacity Study must submit a written request for access, which includes where and when the new supply will be delivered to the Utility and the volume required to be received. Within 30 business days, the Utility will provide a written proposal to the party to evaluate the system impact of the new supplies including the estimated time and cost to perform this analysis. For California Producers, the Utility will provide a ±20% cost estimate for the capacity study, but in any event Interconnector is responsible to pay for the entire actual cost of the capacity study.

4. The party and the Utility must execute a Consulting Services Agreement (Form 6440) or Collectible System Upgrade Agreement (Form 6420) and Confidentiality Agreement (Form 6410) prior to any work being completed and provide payment equal to the estimated cost of the Interconnection Capacity Study prior to the Utility proceeding with the Interconnection Capacity Study. The party will be responsible for the actual costs of the analysis; to this end, an invoice or refund will be issued to the supplier at the completion of the analysis for any difference between the actual costs and the estimate. L

(Continued)

Rule No. 39 Sheet 5 N

ACCESS TO THE SOCALGAS PIPELINE SYSTEM

(Continued)

B. Interconnection Capacity Studies (Continued) L

5. The cost estimate provided in the Interconnection Capacity Study will not include cost estimates for land acquisition, site development, right-of-way, metering, gas quality, permitting, regulatory, environmental, unusual construction costs, and operating and maintenance costs. Upon completion of the Interconnection Capacity Study and for an additional charge, the Utility will perform a more detailed Preliminary Engineering Study that will include such cost estimates associated with these elements, if requested by the party in writing. As with the Interconnection Capacity Study, the party will be responsible for the actual costs to perform the Preliminary Engineering Study.

6. In addition, upon formal written request by any party, the Utility will prepare a Detailed Engineering Study, which will: (1) describe all costs of construction, (2) develop complete engineering construction drawings, and (3) prepare all construction and environmental permit applications and right-of-way acquisition requirements. The party shall pay an estimated charge before the Utility will begin the Detailed Engineering Study. As with the Interconnection Capacity Study, the party will be responsible for the actual costs to perform the Detailed Engineering Study.

7. Customers will have three funding options for increasing receipt point capacity. First, a customer may elect to pay 100% of the costs, including applicable CIAC taxes, to the Utility to complete the installation of the necessary facility without any refund of the advanced funds and not be charged an incremental reservation rate on a going forward basis. Second, a customer may elect to pay 100% of the costs to the Utility to complete the installation of the necessary facility, receive a refund of those advanced funds after gas first flows through the receipt point, and be charged an incremental reservation rate on a going forward basis. Third, a customer may elect to install the necessary facility themselves under the direction of the Utility, transfer ownership of the necessary facilities, along with any payment of applicable CIAC taxes, and not be charged incremental reservation rate on a going forward basis. L

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(Continued)

RULES (continued)

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.

GENERAL Cal. P.U.C. Sheet No.

PRELIMINARY STATEMENT

(Continued)

ATTACHMENT B

Advice No. 4874

Biomethane Program Mechanics Description

Biomethane Program Mechanics Description

Item1: Set forth a description of the types of costs that qualify as interconnection costs under the monetary incentive program

Costs eligible to be credited under this incentive program include study and design costs, total installed costs of receipt point facilities (e.g., meters, regulators, appurtenant facilities, quality measurement, odorization facilities and auxiliary facilities), utility facility enhancement costs (e.g., utility-owned gas pipelines, and other related system upgrades and enhancements required to enable continued safe and reliable operation of the utility system due to the addition of each biomethane interconnection),[1] and facility costs necessary to interconnect downstream of interconnectors' processing plants for the purpose of delivering biomethane onto the utility's system. Other upstream costs, such as the costs for processing or blending, (including the pipelines used for blending), do not qualify as interconnection costs under the monetary incentive program. The biomethane project developer shall provide cost information to the utility for eligible costs in a timely manner, as specified by the utility.

Item 2: Specify the process for determining if a facility has met the 30-day operational requirement

The operational requirement shall be met only if the biomethane project developer successfully interconnects with the utility's pipeline system, and remains in operation for a minimum of 30 consecutive days with a flow each of those days within the measurement range of the meter, as specified by utility measurement standards and based on the meter type as specified by the utility and site conditions and shall exclude any interruption of delivery as specified by utility gas rules.[2]

Item 3: Specify the process for the distribution of the incentive payment
Within 60 days following the successful operational period (as defined in Item 2), the utility will pay or credit [3] the biomethane project developer in the amount of 50% of the eligible reconciled and undisputed portions of the interconnection costs (as defined in Item 1), not to exceed $1.5 million.

[1] Engineering and capacity studies, agreement terms and processes are specific to each utility as specified in their rules and tariffs; see SDG&E Rule 39, SoCalGas Rule 39, PG&E Rule 21, and SWG Rule 22.
2 See SDG&E Rule 14, SoCalGas Rule 23, PG&E Rule 14, and SWG Rule 14.
3 A payment will be provided to the biomethane project developer if all costs have been paid in full; if there are remaining costs it shall be treated as a credit.

Biomethane Program Mechanics Description

In the event that all interconnection costs have not been reconciled by the utility and the developer within 60 days following the successful operational period, the utility shall resume paying the biomethane project developer upon cost reconciliation. If additional eligible cost information becomes available within 12 months following the initial payment, the utility shall pay to the biomethane project developer for 50% of the remaining eligible interconnection costs, not to exceed $1.5 million including all previous payments.

The utility will provide notification to the CPUC Director of the Energy Division and the biomethane project developer of the initial payment as well as any other potentially eligible future payments.