

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



April 30, 2019

**Advice Letter 5432-G**

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

**SUBJECT: Establishment of Contracts with the Selected Dairy Biomethane Pilot Projects,  
Pursuant to Decision (D.) 17-12-004.**

Dear Mr. van der Leeden:

Advice Letter 5432-G is effective as of April 4, 2019.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph  
Deputy Executive Director for Energy and Climate Policy/  
Director, Energy Division



Ronald van der Leeden  
Director  
Regulatory Affairs

555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011  
Tel: 213.244.2009  
Fax: 213.244.4957

[RvanderLeeden@semprautilities.com](mailto:RvanderLeeden@semprautilities.com)

March 5, 2019

Advice No. 5432  
(U 904G)

Public Utilities Commission of the State of California

**Subject: Establishment of Contracts with the Selected Dairy Biomethane Pilot Projects, Pursuant to Decision (D.) 17-12-004**

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) Contracts with the Selected Dairy Biomethane Pilot Projects, as shown in Attachment A.

**Purpose**

Pursuant to D.17-12-004, Ordering Paragraph (OP) 6, SoCalGas must submit a Tier 2 Advice Letter seeking approval of the contracts within 30 days of the notification of award by the Selection Committee. On December 24, 2018, the Executive Director granted SoCalGas' and Pacific Gas and Electric Company's (collectively, the IOUs) extension request to February 1, 2019. On January 31, 2019, the Executive Director granted the IOUs' second extension request to March 4, 2019. Due to the size of the attachments in this Advice Letter and the difficulties experienced in finalizing this Advice Letter, SoCalGas regrettably submits this Advice Letter one-day late. SoCalGas apologizes for any inconvenience this delay may cause the Commission.

**Background**

On June 15, 2017, the Commission issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework to direct gas corporations to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system and allow for rate recovery of reasonable infrastructure costs pursuant to Senate Bill (SB) 1383.

On December 18, 2017, the Commission issued D.17-12-004, which established the implementation and selection framework to implement the dairy biomethane pilots required by SB 1383. OP 6 of D.17-12-004 directed respondents to submit a Tier 2 Advice Letter seeking approval of the contracts with the selected Dairy Biomethane Pilot Projects within 30 days of the notification award by the Selection Committee.

On December 3, 2018, the Selection Committee issued a press release identifying the selected six Dairy Biomethane Pilot Projects. Of the six projects, four are in SoCalGas' service territory: (1) CalBioGas Buttonwillow LLC; (2) CalBioGas North Visalia LLC; (3) CalBioGas South Tulare LLC; and (4) Lakeside Pipeline LLC.

On December 21, 2018, the IOUs requested a 30-day extension to comply with OP 6 of D.17-12-004. On December 24, 2018, the Executive Director granted the IOUs' extension request to February 1, 2019.

On January 25, 2019, the IOUs requested a second extension to March 4, 2019 to comply with OP 6 of D.17-12-004 due to final details on some contracts that needed further resolution. On January 31, 2019, the Executive Director granted the IOUs' second extension request to March 4, 2019.

### **Contracts with the Selected Dairy Biomethane Pilot Projects**

SoCalGas submits for Commission approval executed agreements for the following four dairy pilot projects in its service territory: (1) CalBioGas Buttonwillow LLC; (2) CalBioGas North Visalia LLC; (3) CalBioGas South Tulare LLC; and (4) Lakeside Pipeline LLC, as shown in Attachment A. SoCalGas used the California Producer Interconnection Agreement (CPIA), California Producer Interconnect Collectible System Upgrade Agreement (CPICSUA), and California Producer Operational Balancing Agreement (CPOBA) as the basis and modified these agreements to address additional requirements adopted for the Dairy Biomethane Pilot Projects in D.17-12-004 and to incorporate specific conditions particular to each of the awarded Dairy Biomethane Pilot Projects.

SoCalGas also developed the SB 1383 Dairy Pilot Project Funding Agreement to address several requirements of D.17-12-004 which are not included in a typical Rule No. 39 interconnection project including, but not limited to, payment terms, provisions for biogas treatment facilities and collection lines, reporting, submittal of a Safety Action Plan, demonstration of project readiness, and record keeping.

The four agreements for each awarded project are attached to this Advice Letter submittal. Public versions of the agreements for the four projects, which redact confidential information related to the projects, are provided within this Advice Letter submittal. Confidential, unredacted versions of the agreements for the projects are provided to the CPUC pursuant to Public Utilities Code Section 583 and General Order (GO) 66-D.

**Protests**

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 received within 20 days of the date this Advice Letter was submitted with the Commission, which is March 25, 2019. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: 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 the Energy Division Tariff Unit ([EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)). A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission:

Attn: Ray B. Ortiz  
Tariff Manager - GT14D6  
555 West Fifth Street  
Los Angeles, CA 90013-1011  
Facsimile No.: (213) 244-4957  
E-Mail: [ROrtiz@semprautilities.com](mailto:ROrtiz@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 OP 6 of D.17-12-004. SoCalGas respectfully requests that this submittal be approved on April 4, 2019, which is 30 days from the date submitted.

**Notice**

A copy of this Advice Letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list in R.17-06-015. Address change requests to the GO 96-B service list should be directed via e-mail to [tariffs@socalgas.com](mailto:tariffs@socalgas.com) or call 213-244-2837. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or via-e-mail at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

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Ronald van der Leeden  
Director - Regulatory Affairs

Attachments



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



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

Company name/CPUC Utility No.:

Utility type:

ELC       GAS       WATER  
 PLC       HEAT

Contact Person:

Phone #:  
E-mail:  
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type:  Monthly     Quarterly     Annual     One-Time     Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested?  Yes     No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes     No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

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:

Service affected and changes proposed<sup>1</sup>:

Pending advice letters that revise the same tariff sheets:

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name:  
Title:  
Utility Name:  
Address:  
City: State:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

Name:  
Title:  
Utility Name:  
Address:  
City: State:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

**BEFORE THE PUBLIC UTILITIES  
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION OF JAMES LUCAS  
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS  
PURSUANT TO D.17-09-023**

I, James Lucas, do declare as follows:

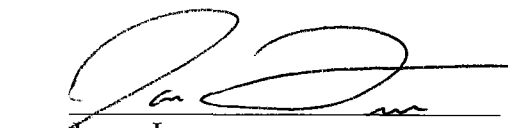
1. I am Market Development Manager in the Technology Solutions for Southern California Gas Company ("SoCalGas"). I have been delegated authority to sign this declaration by Sharon Tomkins, Vice President of Customer Solutions and Strategy. I have reviewed the confidential information included within Advice Letter 5432, including attachments, submitted concurrently herewith. I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decision ("D.") 17-09-023 and General Order ("GO") 66-D to demonstrate that the confidential information ("Protected Information") provided in Advice Letter 5432 is within the scope of data protected as confidential under applicable law.

3. In accordance with the narrative justification described in Attachment A, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this Fifth day of March, 2019, at Los Angeles.

  
James Lucas  
Market Development Manager



# ATTACHMENT A

## SoCalGas Request for Confidentiality on the following information in its response to Advice Letter 5432 including Attachments

Location of Protected Information	Legal Citations	Narrative Justification
<p>Detailed project costs gray shaded in:</p> <p><b><u>CalBioGas North Visalia LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment B: page 14, Table A on page 14, Table B on page 15</li> <li>• Attachment D: page 1 and 2</li> </ul> <p><b><u>CalBioGas Buttonwillow LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment B: page 14, Table A on page 14, Table B on page 15</li> <li>• Attachment D: page 1 and 2</li> </ul> <p><b><u>CalBioGas South Tulare LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment B: page 14, Table A on page 14, Table B on page 15</li> </ul>	<p>CPRA Exemption, Gov’t Code § 6254.7(d) (Trade Secrets)</p> <p>CPRA Exemption, Gov’t Code § 6254(k) (“Records, the disclosure of which is exempted or prohibited pursuant to federal or state law”)</p> <ul style="list-style-type: none"> <li>• Cal. Evid. Code § 1060</li> <li>• Cal. Civil Code §§ 3426 <i>et seq.</i> (relating to trade secrets)</li> <li>• <i>TMX Funding Inc. v. Impero Technologies, Inc.</i>, 2010 WL 2745484 at *4 (N.D. Cal. 2010) (defining trade secret in an injunction to include “business plans and strategies”)</li> <li>• <i>Whyte v. Schlage Lock Co.</i>, 101 Cal. App. 4th 1443, 1453, 1456 (2002) (giving a list of what may be trade secret and holding that “[t]he ultimate determination of trade secret status is subject to proof presented at trial”)</li> <li>• <i>Morton v. Rank America, Inc.</i>, 812 F. Supp. 1062, 1073 (1993) (denying motion to dismiss because “actual or probable income, expenses and capital needs of [a company], the financial, operational, marketing and other business strategies and methods” could constitute trade secret)</li> <li>• 5 U.S.C. § 552(b)(4) (Exemption 4 of FOIA protecting “trade secrets</li> </ul>	<p>The information are proprietary and represent and contain proprietary, commercially sensitive, trade secrets, and content not intended for public disclosure.</p> <p>Detailed project cost should not be made public, as public disclosure would impact competitive pricing and provide a competitive advantage to other businesses. If this information is released, it could pose negative financial impacts which could be detrimental to the interconnector.</p> <p>This information is also covered by a Confidentiality Agreement and SoCalGas is restricted from disclosing this information.</p>

<ul style="list-style-type: none"> <li>Attachment D: page 1 and 2</li> </ul> <p><b><u>Lakeside Pipeline LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment B: page 14, Table A on page 14</li> <li>Attachment D: page 1 and 2</li> </ul>	<p>and commercial or financial information obtained from a person and privileged or confidential”)</p> <ul style="list-style-type: none"> <li><i>See, e.g.</i>, D.11-01-036, 2011 WL 660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program vendor is proprietary and commercially sensitive and should remain confidential)</li> <li><i>Valley Bank of Nev. v. Superior Court</i>, 15 Cal.3d 652, 658 (1975) (financial information is protected – especially of non-parties)</li> </ul>	
<p>Interconnector Confidential Information (i.e., DUNS/Tax-ID, addresses/GPS coordinates, telephone numbers and email addresses) gray shaded in:</p> <p><b><u>CalBioGas North Visalia LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 2 in section a, page 13 under Interconnector, page 19, page 21</li> <li>Attachment B: page 1, pages 8, page 14</li> <li>Attachment C: page 10 under Agreement Notices and Other Correspondence, page 10 and 11 under Dispatching</li> </ul>	<p>California Public Records Act (CPRA) Exemption, Gov’t Code § 6254(k) (“Records, the disclosure of which is exempted or prohibited pursuant to federal or state law”)</p> <ul style="list-style-type: none"> <li>Cal. Civil Code § 1798.21 (requiring agencies to “ensure the security and confidentiality of” personal data)</li> <li>Cal. Civil Code § 1798.24 (limiting disclosure of personal information)</li> <li>Cal. Civil Code §§ 1798.80 <i>et seq.</i> (process for protecting customer records)</li> <li>Cal. Civil Code § 1798.81.5 (security procedures and practices with respect to personal information about California residents)</li> <li><i>Britt v. Superior Court</i>, 20 Cal. 3d 844, 855-856 (1978) (even highly relevant information may be shielded from discovery if its disclosure would impair a person’s inalienable right of privacy provided by the California Constitution)</li> <li><i>Valley Bank of Nev. v. Superior Court</i>, 15 Cal.3d 652, 658 (1975) (Financial information is protected – especially of non-parties)</li> </ul>	<p>Interconnector contact information is considered confidential to protect privacy rights in the absence of expressed consent or upon a CPUC order or law. D.97-10-031; D.11-07-056; D.12-08-045; D.14-05-016</p> <p>Under Civil Code § 1798.81.5(b), a “business that owns, licenses, or maintains personal information about a California resident shall implement and maintain reasonable security procedures and practices appropriate to the nature of the information, to protect the personal information from unauthorized access, destruction, use, modification, or disclosure.” If publicly disclosed, such personal information could pose a risk of fraud, identity theft, or other personal, commercial, or financial damage to customers.</p> <p>Disclosure may also constitute an “unwarranted invasion of personal privacy.” This information is also covered by a Confidentiality Agreement and SoCalGas is restricted from disclosing this information.</p>

<p>and Nominations, page 11 under Allocation Statements, page 20</p> <ul style="list-style-type: none"> <li>Attachment D: page 3, page 8, page 225</li> </ul> <p><b><u>CalBioGas Buttonwillow LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 2 in section a, page 13 under Interconnector, page 19, page 21</li> <li>Attachment B: page 1, page 7 under Interconnector, page 14</li> <li>Attachment C: page 10 under Agreement, page 10 and 11 under Dispatching and Nominations, page 11 under Allocation Statements, page 20</li> <li>Attachment D: page 2, page 3 under Project Owner, page 8, page 225</li> </ul> <p><b><u>CalBioGas South Tulare LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 2 in section a, page 13 under</li> </ul>	<ul style="list-style-type: none"> <li><i>See, e.g.</i>, D.11-01-036, 2011 WL 660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program vendor is proprietary and commercially sensitive and should remain confidential)</li> </ul> <p>CPR A Exemption, Gov't Code § 6254(c) (“disclosure of which would constitute an unwarranted invasion of personal privacy”)</p> <p>CPR A Exemption, Gov't Code § 6255(a) (Balancing Test)</p>	
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<p>Interconnector, page 19, page 22, page 23 in map</p> <ul style="list-style-type: none"> <li>• Attachment B: page 1, page 8 under Interconnector, page 14</li> <li>• Attachment C: page 10 under Agreement, page 10 and 11 under Dispatching and Nominations, page 11 under Allocation Statements, page 20</li> <li>• Attachment D: page 2, page 3 under Project Owner, page 8, page 225</li> </ul>		
<p><b><u>Lakeside Pipeline LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment A: page 2 in section a, page 13 under Interconnector, page 19, page 22</li> <li>• Attachment B: page 1, page 8 under Interconnector, page 14</li> <li>• Attachment C: page 10 under Agreement, page 11 under Dispatching and Nominations,</li> </ul>		

<p>page 11 under Allocation Statements, page 20</p> <ul style="list-style-type: none"> <li>Attachment D: page 3 under Project Owner, page 8, page 59</li> </ul>		
<p>Maximum Allowable Operating Pressure (MAOP/MOP) gray shaded in:</p> <p><b><u>CalBioGas North Visalia LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: map on page 20, page 21</li> </ul> <p><b><u>CalBioGas Buttonwillow LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: map on page 20, page 21</li> </ul> <p><b><u>CalBioGas South Tulare LLC</u></b></p>	<p>CPRA Exemption, Gov't Code § 6254(k) ("Records, the disclosure of which is exempted or prohibited pursuant to federal or state law")</p> <ul style="list-style-type: none"> <li>PHMSA Guidelines, 81 Fed. Reg. 40575, 40764 (June 22, 2016)</li> <li>49 CFR §§ 1520.5 &amp; 1520.9 (defining SSI and restricting its disclosure)</li> <li><i>Chowdhury v. Nw. Airlines Corp.</i>, 226 F.R.D. 608 (N.D. Cal. 2004)</li> </ul> <p>CPRA Exemption, Gov't Code § 6255(a) (Balancing Test)</p>	<p>These engineering design values of a proposed or existing critical infrastructure could potentially be used to determine the criticality of a gas facility and identify vulnerabilities of the gas delivery network. The value can be used to identify the volume of gas present in an area and ascertain the relative potential consequences of intentional acts against the gas transportation and distribution network.</p>

<ul style="list-style-type: none"> <li>Attachment A: map on page 21, page 22</li> </ul> <p><b><u>Lakeside Pipeline LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 22</li> </ul>		
<p>Interconnector’s list of potential projects:</p> <p><b><u>CalBioGas North Visalia LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment D: Schedule A, page 225 (in its entirety)</li> </ul> <p><b><u>CalBioGas Buttonwillow LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment D: Schedule A, page 225 (in its entirety)</li> </ul> <p><b><u>CalBioGas South Tulare LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment D: Schedule A, page 225 (in its entirety)</li> </ul>	<p>CPRA Exemption, Gov’t Code § 6254.7(d) (Trade Secrets)</p> <p>CPRA Exemption, Gov’t Code § 6254.15 (disclosure not required for “corporate financial records, corporate proprietary information including ROI, and information relating to siting within the state furnished to a government agency by a private company for the purpose of permitting the agency to work with the company in retaining, locating, or expanding a facility within California”).</p> <p>CPRA Exemption, Gov’t Code § 6254(k) (“Records, the disclosure of which is exempted or prohibited pursuant to federal or state law”)</p> <ul style="list-style-type: none"> <li>Cal. Evid. Code § 1060</li> <li>Cal. Civil Code §§ 3426 <i>et seq.</i> (relating to trade secrets)</li> <li><i>TMX Funding Inc. v. Impero Technologies, Inc.</i>, 2010 WL 2745484 at *4 (N.D. Cal. 2010) (defining trade secret in an injunction to include “business plans and strategies”)</li> <li><i>Whyte v. Schlage Lock Co.</i>, 101 Cal. App. 4th 1443, 1453, 1456 (2002) (giving a list of what may be trade secret and holding that “[t]he ultimate determination of trade secret status is subject to proof presented at trial”)</li> <li><i>Morton v. Rank America, Inc.</i>, 812 F. Supp. 1062, 1073 (1993) (denying motion to dismiss because “actual or</li> </ul>	<p>This information contains potential business opportunities, expansions, and upgrades and other data that might disclose market-sensitive information, providing a competitive advantage to other businesses. If this information was released it could pose negative financial impacts which could be detrimental to the Interconnector in future business opportunities and expansions.</p> <p>This information is also covered by a Confidentiality Agreement and SoCalGas is restricted from disclosing this information.</p>

	<p>probable income, expenses and capital needs of [a company], the financial, operational, marketing and other business strategies and methods” could constitute trade secret)</p> <ul style="list-style-type: none"> <li>• 5 U.S.C. § 552(b)(4) (Exemption 4 of FOIA protecting “trade secrets and commercial or financial information obtained from a person and privileged or confidential”)</li> <li>• <i>See, e.g.</i>, D.11-01-036, 2011 WL 660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program vendor is proprietary and commercially sensitive and should remain confidential)</li> <li>• <i>Valley Bank of Nev. v. Superior Court</i>, 15 Cal.3d 652, 658 (1975) (financial information is protected – especially of non-parties)</li> </ul>	
<p>Interconnector’s Safety Action Plan gray shaded in:</p> <ul style="list-style-type: none"> <li>• Attachment D, pages 15-184 (in its entirety)</li> </ul> <p><b><u>CalBioGas North Visalia LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment D, pages 15-184 (in its entirety)</li> </ul> <p><b><u>CalBioGas Buttonwillow LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment D, pages 15-184 (in its entirety)</li> </ul> <p><b><u>CalBioGas South Tulare LLC</u></b></p>	<p>California Public Records Act (CPRA) Exemption, Gov’t Code § 6254.7(d) (Trade Secrets)</p> <p>CPRA Exemption, Gov’t Code § 6254(k) (“Records, the disclosure of which is exempted or prohibited pursuant to federal or state law”)</p> <ul style="list-style-type: none"> <li>• Cal. Evid. Code § 1060</li> <li>• Cal. Civil Code §§ 3426 <i>et seq.</i> (relating to trade secrets)</li> <li>• D.13-11-025, 2013 WL 6202871 (2013) (“The contracting IOU should not be required to allow use or provide access to data or test results if such use or disclosure could compromise the safe operation or confidential operating details of any IOUs’ infrastructure.”) [see Conclusion of Law 85 and section 2.18.2.2 for discussion]</li> <li>• <i>O2 Micro Int’l Ltd. v. Monolithic Power Sys., Inc.</i>, 420 F. Supp. 2d</li> </ul>	<p>The produced information are proprietary and represent and contain proprietary, commercially sensitive, trade secrets, and content not intended for public disclosure.</p> <p>The Interconnector Safety Action Plan contain descriptions of unique systems of processes, technology, innovations, and procedures that the Interconnector has developed. It has intrinsic commercial value to the Interconnector or someone who wants to know how to work on or operate portions of a gas system.</p> <p>Contractors or other companies in the natural gas industry could use these documents for their own training or operational programs and could be willing to purchase them. Disclosure of this information could place the Interconnector at an unfair competitive advantage by creating a</p>

<ul style="list-style-type: none"> <li>Attachment D, pages 15-184 (in its entirety)</li> </ul> <p><b><u>Lakeside Pipeline LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment D, pages 15-18 (in its entirety)</li> </ul>	<p>1070, 1089–1090 (N.D. Cal. 2006) (“It does not matter if a portion of the trade secret is generally known, or even that every individual portion of the trade secret is generally known, so long as the combination of all such information is not generally known.”).</p> <ul style="list-style-type: none"> <li><i>Cal. Int’l Chem. Co. v. Sister H. Corp.</i>, 168 F.3d 498, at *3-4 (9th Cir. 1999) (unpub.) (affirming the finding of confidentiality where a company’s pool treatment system, the use of which was licensed per non-disclosure agreements, and training manuals, which contained valuable information that was developed over the years).</li> <li><i>By-Buk Co. v. Printed Cellophane Tape Co.</i>, 163 Cal. App. 2d 157, 166–67 (1958) (finding plaintiff’s manufacturing methods were trade secrets and stating, “It is undoubtedly true that if [defendant] had used the same thought, labor and ingenuity which were used by plaintiff it might have been able to secure the same results that plaintiff did. But this fact does not destroy plaintiff’s right not to have its processes wrongfully disclosed to others and used to its detriment.”).</li> <li><i>Navarro v. Eskanos &amp; Adler</i>, No. C-06-02231, 2007 WL 902550, at *6 (N.D. Cal. Mar. 22, 2007) (holding the “best practices” section and other portions of a debt collection agency’s Training and Procedures Guide were confidential trade secrets).</li> </ul>	<p>lost opportunity for reducing costs for the Interconnector because these procedures were paid for by the Interconnector and now they will be “free” to anyone that wants to use them for their own economic gain instead of potential revenues to offset the cost of training and procedure development for the Interconnector.</p>
<p>Interconnect Capacity and Incremental Capacity gray shaded in:</p> <p><b><u>CalBioGas North</u></b> <b><u>Visalia LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 3, page 3</li> </ul>	<p>CPRA Exemption, Gov’t Code § 6254.7(d) (Trade Secrets)</p> <p>CPRA Exemption, Gov’t Code § 6254(k) (“Records, the disclosure of which is exempted or prohibited pursuant to federal or state law”)</p> <ul style="list-style-type: none"> <li>Cal. Evid. Code § 1060</li> </ul>	<p>The information is proprietary and represent and contain proprietary, commercially sensitive, trade secrets, and content not intended for public disclosure. This information contains potential business opportunities, expansions, and upgrades and other data that might disclose market-sensitive</p>



<p>footnote 1, page 4, page 20, page 22</p> <ul style="list-style-type: none"> <li>• Attachment B: page 14, page 14 footnote 1</li> <li>• Attachment C: page 5</li> </ul> <p><b><u>CalBioGas</u></b> <b><u>Buttonwillow LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment A: page 3, page 4, page 20, page 22</li> <li>• Attachment B: page 14</li> <li>• Attachment C: page 5</li> </ul> <p><b><u>CalBioGas South</u></b> <b><u>Tulare LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment A: page 3, page 3 footnote 1, page 4, page 20 page 23</li> <li>• Attachment B: page 14, page 14 footnote 1</li> <li>• Attachment C: page 5</li> </ul> <p><b><u>Lakeside Pipeline LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment A: page 3, page 3 footnote 1, page 20, page 23</li> <li>• Attachment B: page 14</li> <li>• Attachment C: page 5</li> </ul>	<ul style="list-style-type: none"> <li>• Cal. Civil Code §§ 3426 <i>et seq.</i> (relating to trade secrets)</li> <li>• <i>TMX Funding Inc. v. Impero Technologies, Inc.</i>, 2010 WL 2745484 at *4 (N.D. Cal. 2010) (defining trade secret in an injunction to include “business plans and strategies”)</li> <li>• <i>Whyte v. Schlage Lock Co.</i>, 101 Cal. App. 4th 1443, 1453, 1456 (2002) (giving a list of what may be trade secret and holding that “[t]he ultimate determination of trade secret status is subject to proof presented at trial”)</li> <li>• <i>Morton v. Rank America, Inc.</i>, 812 F. Supp. 1062, 1073 (1993) (denying motion to dismiss because “actual or probable income, expenses and capital needs of [a company], the financial, operational, marketing and other business strategies and methods” could constitute trade secret)</li> <li>• 5 U.S.C. § 552(b)(4) (Exemption 4 of FOIA protecting “trade secrets and commercial or financial information obtained from a person and privileged or confidential”)</li> <li>• <i>See, e.g.</i>, D.11-01-036, 2011 WL 660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program vendor is proprietary and commercially sensitive and should remain confidential)</li> <li>• <i>Valley Bank of Nev. v. Superior Court</i>, 15 Cal.3d 652, 658 (1975) (financial information is protected – especially of non-parties)</li> </ul>	<p>information, providing a competitive advantage to other businesses. If this information was released it could pose negative financial impacts which could be detrimental to the Interconnector in future business opportunities and expansions.</p>
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<p>Facility design specification gray shaded in:</p> <p><b><u>CalBioGas North Visalia LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 19, page 22</li> </ul> <p><b><u>CalBioGas Buttonwillow LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 19, page 22</li> </ul> <p><b><u>CalBioGas South Tulare LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 19, page 22, page 23, page 24</li> </ul> <p><b><u>Lakeside Pipeline LLC</u></b></p> <ul style="list-style-type: none"> <li>Attachment A: page 19, page 23</li> </ul>	<p>California Public Records Act (CPRA) Exemption, Gov't Code § 6254.7(d) (Trade Secrets)</p> <p>CPRA Exemption, Gov't Code § 6254(k) ("Records, the disclosure of which is exempted or prohibited pursuant to federal or state law")</p> <ul style="list-style-type: none"> <li>Cal. Evid. Code § 1060</li> <li>Cal. Civil Code §§ 3426 <i>et seq.</i> (relating to trade secrets)</li> <li>D.13-11-025, 2013 WL 6202871 (2013) ("The contracting IOU should not be required to allow use or provide access to data or test results if such use or disclosure could compromise the safe operation or confidential operating details of any IOUs' infrastructure.") [see Conclusion of Law 85 and section 2.18.2.2 for discussion]</li> <li><i>O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.</i>, 420 F. Supp. 2d 1070, 1089–1090 (N.D. Cal. 2006) ("It does not matter if a portion of the trade secret is generally known, or even that every individual portion of the trade secret is generally known, so long as the combination of all such information is not generally known.").</li> <li><i>Cal. Int'l Chem. Co. v. Sister H. Corp.</i>, 168 F.3d 498, at *3-4 (9th Cir. 1999) (unpub.) (affirming the finding of confidentiality where a company's pool treatment system, the use of which was licensed per non-disclosure agreements, and training manuals, which contained valuable information that was developed over the years).</li> <li><i>By-Buk Co. v. Printed Cellophane Tape Co.</i>, 163 Cal. App. 2d 157,</li> </ul>	<p>Contractors, other utilities, or companies in the natural gas industry could use this information for their own design and construction and could be willing to purchase them. This information is subject to reasonable efforts to maintain its confidentiality by the use of non-disclosure agreements with contractors and vendors. Disclosure of this information could place the utilities at an unfair competitive advantage by creating a lost opportunity for reducing costs for utility ratepayers and now they will be "free" to anyone that wants to use them for their own economic gain instead of potential revenues to offset the cost of development for the utility.</p>

	<p>166–67 (1958) (finding plaintiff’s manufacturing methods were trade secrets and stating, “It is undoubtedly true that if [defendant] had used the same thought, labor and ingenuity which were used by plaintiff it might have been able to secure the same results that plaintiff did. But this fact does not destroy plaintiff’s right not to have its processes wrongfully disclosed to others and used to its detriment.”).</p> <ul style="list-style-type: none"> <li>• <i>Navarro v. Eskanos &amp; Adler</i>, No. C-06-02231, 2007 WL 902550, at *6 (N.D. Cal. Mar. 22, 2007) (holding the “best practices” section and other portions of a debt collection agency’s Training and Procedures Guide were confidential trade secrets).</li> </ul>	
<p>Project and Construction Schedule gray shaded in:</p> <p><b><u>CalBioGas North</u></b> <b><u>Visalia LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment A: page 2-3 section 1.b.iii, page 5 section 2.b.i</li> <li>• Attachment B: page 3 section 2.b.1, exhibit C-1 page 16, exhibit c-1 page 17</li> <li>• Attachment C: page 3 section 1.2.3</li> </ul> <p><b><u>CalBioGas</u></b> <b><u>Buttonwillow LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment A: page 2-3 section</li> </ul>	<p>CPR A Exemption, Gov’t Code § 6254.7(d) (Trade Secrets)</p> <p>CPR A Exemption, Gov’t Code § 6254(k) (“Records, the disclosure of which is exempted or prohibited pursuant to federal or state law”)</p> <ul style="list-style-type: none"> <li>• Cal. Evid. Code § 1060</li> <li>• Cal. Civil Code §§ 3426 <i>et seq.</i> (relating to trade secrets)</li> <li>• <i>TMX Funding Inc. v. Impero Technologies, Inc.</i>, 2010 WL 2745484 at *4 (N.D. Cal. 2010) (defining trade secret in an injunction to include “business plans and strategies”)</li> <li>• <i>Whyte v. Schlage Lock Co.</i>, 101 Cal. App. 4th 1443, 1453, 1456 (2002) (giving a list of what may be trade secret and holding that “[t]he ultimate determination of trade secret status is subject to proof presented at trial”)</li> </ul>	<p>The information are proprietary and represent and contain proprietary, commercially sensitive, trade secrets, and content not intended for public disclosure.</p> <p>Detailed project and construction schedule should not be made public, as public disclosure would impact competitive pricing and provide a competitive advantage to other businesses. If this information is released, it could pose negative financial impacts which could be detrimental to the interconnector.</p> <p>This information is also covered by a Confidentiality Agreement and SoCalGas is restricted from disclosing this information.</p>

<p>1.b.iii, page 5 section 2.b.i</p> <ul style="list-style-type: none"> <li>• Attachment B: page 3 section 2.b.1, exhibit C-1 page 16, exhibit c-1 page 17</li> <li>• Attachment C: page 3 section 1.2.3</li> </ul> <p><b><u>CalBioGas South Tulare LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment A: page 2-3 section 1.b.iii, page 5 section 2.b.i</li> <li>• Attachment B: page 3 section 2.b.1, exhibit C-1 page 16, exhibit c-1 page 17</li> <li>• Attachment C: page 3 section 1.2.3</li> </ul> <p><b><u>Lakeside Pipeline LLC</u></b></p> <ul style="list-style-type: none"> <li>• Attachment A: page 2 section 1.b.iii, page 5 section 2.b.i</li> <li>• Attachment B: page 3 section 2.b.1, exhibit C-1 page 16</li> <li>• Attachment C: page 3 section 1.2.3</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Morton v. Rank America, Inc.</i>, 812 F. Supp. 1062, 1073 (1993) (denying motion to dismiss because “actual or probable income, expenses and capital needs of [a company], the financial, operational, marketing and other business strategies and methods” could constitute trade secret)</li> <li>• 5 U.S.C. § 552(b)(4) (Exemption 4 of FOIA protecting “trade secrets and commercial or financial information obtained from a person and privileged or confidential”)</li> <li>• <i>See, e.g.</i>, D.11-01-036, 2011 WL 660568 (2011) (agreeing that confidential prices and contract terms specifically negotiated with a program vendor is proprietary and commercially sensitive and should remain confidential)</li> <li>• <i>Valley Bank of Nev. v. Superior Court</i>, 15 Cal.3d 652, 658 (1975) (financial information is protected – especially of non-parties)</li> </ul>	
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**ATTACHMENT A**

**Advice No. 5432**

**CalBioGas Buttonwillow LLC  
CalBioGas North Visalia LLC  
CalBioGas South Tulare LLC  
Lakeside Pipeline LLC**

**CalBioGas Buttonwillow LLC**

Attachment A: California Producer Interconnection Agreement for SB 1383 (Form 6454)

CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT for SB 1383  
DAIRY PILOT PROJECT  
between  
CalBioGas Buttonwillow LLC  
and  
SOUTHERN CALIFORNIA GAS COMPANY

This CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into by and between CalBioGas Buttonwillow LLC, a California Limited Liability Company, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this 26th day of February 2019. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

**RECITALS**

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1(c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Interconnector has constructed or intends to construct and will operate its pipeline facilities to an Interconnection Point specified in Exhibits A and B attached hereto and incorporated herein by this reference (hereinafter referred to as “Interconnection Point”); and

WHEREAS, SoCalGas may construct facilities at the Interconnection Point subject to and conditioned upon the execution of a California Producer Interconnect Collectible System Upgrade Agreement with Interconnector concerning such facilities, terms of construction and cost responsibility for such facilities consistent with CPUC rules and regulations and attached as Exhibit C; and

WHEREAS, Senate Bill (“SB”) 1383 requires the CPUC, in consultation with the California Air Resources Board (“ARB”) and the California Department of Food and Agriculture (“CDFA”) (collectively, the “Selection Committee”), to direct utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys including the Buttonwillow – California Bioenergy project herein; and

WHEREAS, the Parties desire to provide such facilities for the delivery to and receipt of natural gas by the SoCalGas system as set forth in this Agreement.

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

**SECTION 1**  
**SCOPE OF AGREEMENT**

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to provide facilities for the Interconnect Capacity from Interconnector's pipeline facilities near [REDACTED] in Buttonwillow, California to SoCalGas' existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector's Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to this Agreement and a California Producer Operational Balancing Agreement ("CPOBA") between the Parties, for the account of Interconnector or Interconnector's affiliate or third parties for transport on SoCalGas' pipeline system in California. This Agreement does not provide for or address in any way any right of Interconnector to receive transportation services on SoCalGas' system from the Interconnection Point. Attached hereto as Exhibit A, and incorporated by reference herein, is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B and incorporated by reference herein.

(b) Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in CPOBA, is effective as of the date first written above and shall remain in effect for a primary term of twenty (20) years from the date Gas first flows through the Interconnection Point (the "Commencement Date") and year to year thereafter.

(i) Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement including all costs for removal of SoCalGas' Facilities at the Interconnection Point and restoration of the site to its condition prior to the construction of the Interconnection Point.

(ii) SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector or in the event of a material default by Interconnector upon sixty (60) calendar days following Interconnector's receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

(iii) SoCalGas may terminate this Agreement on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete Interconnector's Facilities or SoCalGas' Facilities is not completed on or before [REDACTED]. Interconnector may terminate this Agreement with respect to only the Incremental Capacity on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete

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Interconnector's Facilities for Incremental Capacity is not completed on or before [REDACTED].

(c) Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

(i) "SoCalGas' Facilities" shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, including Btu district additions and enhancements, Biomethane Compression facilities, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the State of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) "CPUC" shall mean the Public Utilities Commission of the State of California.

(iii) "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas' tariffs, rules and other applicable regulations.

(iv) "In-Service Date" is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) "Interconnect Capacity" shall be the Biomethane Compression, metering and odorization daily capacity of SoCalGas' Facilities but is not necessarily the capacity of SoCalGas' pipeline facilities to transport Gas away from the Interconnection Point and is not, nor is it intended to be, any commitment by SoCalGas of takeaway capacity. The Interconnect Capacity shall be a [REDACTED] thousand Standard cubic feet per day (MScfD), respectively, unless changed by the written mutual agreement of the parties. The Interconnect Capacity is the sum of Pilot Project Maximum Capacity and any Incremental Capacity volumes.

(vi) "Interconnection Point" shall mean that point where SoCalGas' Facilities and Interconnector's Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) "Interconnector's Facilities" shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by an Interconnector up to the Interconnection Point.

(viii) "Split Meter" shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California

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Producer Interconnection Agreements and separate CPOBAs or another separate agreement governing access to SoCalGas' system.

(ix) “Decision” shall refer to CPUC Decision 17-12-004.

(x) “Pilot Project” shall mean the Selection Committee Buttonwillow – California Bioenergy project awarded through the SB 1383 Dairy Pilot Project proceeding R. 17-06-015.

(xi) “Pilot Project Capacity” shall be the average of nine hundred sixty-one (961) MScfD biomethane capacity to be delivered to the utility for pipeline injection as specified in the Selection Committee Buttonwillow – California Bioenergy project awarded through the SB 1383 Dairy Pilot Project proceeding R. 17-06-015.

(xii) “Pilot Project Maximum Capacity” shall be the maximum flow rate of [REDACTED] MScfD biomethane capacity

(xiii) “Incremental Capacity” shall be [REDACTED] MScfD that is in addition to the Pilot Project Maximum Capacity and is based on dairies, collection lines and digesters that aren't part of the Pilot Project Capacity.

(xiv) “Incremental Capacity Cost” shall be the expenditures/investments related to the initial (Exhibit C, CPICSUA) interconnection of Interconnector's Facilities to SoCalGas' Facilities and subsequent Subsection 3 (b) Maintenance of Physical Facilities that are above and beyond those costs that would be incurred for the Pilot Project Maximum Capacity. SoCalGas shall determine the estimated and actual Incremental Capacity Cost generally on the principle that the Incremental Capacity would not increase costs and expenses unless larger size materials, than those required for the Pilot Project Maximum Capacity, are required to accommodate the Incremental Capacity. If larger materials are required, the Incremental Capacity Cost would increase material costs but not construction costs. The estimated Incremental Capacity Cost will be based on the difference between the estimated cost for the Pilot Project Maximum Capacity and the Interconnect Capacity. The actual Incremental Capacity cost will be calculated based on the actual costs of equipment and materials relative to the estimated costs and allocated on a proportional basis. For example, if the estimated Pilot Project Maximum Capacity and Interconnect Capacity material costs are \$80.00 and \$100.00, respectively, the estimated Incremental Capacity Cost is \$20.00 ( $\$100.00 - \$80.00 = \$20.00$ ). If the actual material costs are \$110.00, then the actual Pilot Project Maximum Capacity and Incremental Capacity costs are \$88.00 ( $\$110.00 * 80/(80+20)$ ) and \$22.00 ( $\$110.00 * 20/(80+20)$ ), respectively. Incremental Capacity operation and maintenance fees will be determined per Subsection 3(a) herein.

(xv) “Pilot Project Term” shall be the primary term stated in Subsection 1 (b) herein.

(xvi) “Biomethane Compression” shall be the compression facilities at the outlet of Interconnector's biogas conditioning facilities used to compress biomethane including units, valves, basic and advanced controls, for multiple modes of operation, etc.

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(d) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

## **SECTION 2** **CONDITIONS PRECEDENT**

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Governmental Authorizations:

(i) Interconnector: - On or before [REDACTED], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction, if any, and [REDACTED] for operation of Interconnector's Facilities.

(ii) SoCalGas: On or before commencement of flows through the Interconnection Point, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) the proper approvals required for SoCalGas to dispense its duties under this Agreement from any other governmental or local agency, if necessary in SoCalGas' sole judgment.

(c) Interconnector Project Readiness – Prior to SoCalGas incurring significant costs by the procurement of materials and constructing SoCalGas' Facilities, Interconnector must demonstrate project readiness by providing proper documentation to show compliance with each of the requirements set forth in Exhibit D.

(d) Notification - Each Party shall notify the other in writing whenever in its sole opinion the foregoing conditions in Subsection 2(b) have been satisfied. Interconnector shall retain the right to waive in writing conditions 2(b)(ii), and SoCalGas shall retain the right to waive in writing conditions 2(b)(i).

(e) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet

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within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such forty-fifth (45th) day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(f) Cooperation - Each Party shall cooperate with the other Party as is reasonable under the circumstances, and keep the other Party advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

### **SECTION 3** **OPERATION AND MAINTENANCE FEES**

(a) Fees – Interconnector shall pay, except for the Pilot Project Capacity during the Pilot Project Term, to SoCalGas each month an Operation and Maintenance Fee (“O&M Fee”), as determined from time to time by SoCalGas, associated with the operation and maintenance of the Biomethane Compression, metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas’ normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS, except for the Biomethane Compression costs.

(i) During the Pilot Project Term SoCalGas shall record and allocate the Pilot Project Capacity O&M Fee pursuant to the Decision.<sup>1</sup>

(ii) Incremental Capacity Costs - SoCalGas shall bill the Interconnector for the variable or usage costs that exceed the costs SoCalGas would not incur because of the Pilot Project Capacity. Typically, this would include odorant and Biomethane Compression variable costs.

1) Odorant Variable Costs – SoCalGas shall bill the Interconnector for the marginal usage or variable costs as follows: once the cumulative, actual delivery volume exceeds the Pilot Project Capacity 350,765 MScf annual volume on a calendar year basis (961 MScf/D times 365), in the month following, and for all succeeding months in the calendar year, all costs shall be billed to the Interconnector. This calculation will restart each January 1.

2) Biomethane Compression Variable Costs – SoCalGas shall bill the Interconnector for the marginal usage or variable costs as follows: once the cumulative, actual delivery volume exceeds the Pilot Project Capacity 350,765 MScf annual volume on a calendar year basis (961 MScf/D times 365), in the month following, and for all succeeding months in the

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<sup>1</sup> (D.)17-12-004, Appendix A, page 11, paragraph 1.

calendar year, all costs shall be billed to the Interconnector. This calculation will restart each January 1

(iii) Biomethane Compression Costs – SoCalGas will track and record the costs to compress the renewable natural gas. The two cost components to operate compression equipment include: 1) electrical charges from the local electric utility, and 2) on-going equipment maintenance (e.g. - periodic inspections, drain and replace fluids, remove and replace filters, mechanical adjustments, periodic rebuilds, recordkeeping, etc.). SoCalGas shall bill the Interconnector for the Biomethane Compression costs except for the Pilot Project Capacity during the Pilot Project Term. During the Pilot Project Term, Incremental Capacity Biomethane Compression costs shall be billed per Subsection 3 (a) (ii) 2.

(iv) Electrical Service and Electricity Costs – Interconnector shall work with the electric utility to plan, coordinate and install an electrical drop to provide electrical service to SoCalGas' Facilities. Such work will be managed and funded by the Interconnector. Interconnector will be the customer of record for a dedicated meter providing electrical service to SoCalGas' Facilities. Interconnector will provide all associated transformers, switchgears, and other electrical equipment necessary to provide SoCalGas with the necessary electricity to receive all biomethane from the Interconnector's Facilities. SoCalGas will be responsible for all electrical installation within SoCalGas' Facilities.

(v) After the Pilot Project Term - Interconnector shall pay to SoCalGas each month an O&M Fee, as determined from time to time by SoCalGas, associated with the operation and maintenance of the Biomethane Compression, metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas' normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS, except for the Biomethane Compression costs which will be separately billed based on actual costs, unless and until Schedule No. G-CPS includes these costs.

(b) Maintenance of Physical Facilities – At the Interconnection Point where SoCalGas owns and operates the Biomethane Compression, metering equipment and other related facilities, SoCalGas (i) shall have the right to replace or upgrade from time to time such equipment as is necessary to measure, regulate, odorize, monitor, control or otherwise effectuate deliveries of Gas volumes up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment necessary to transmit electronic measurement data on a current basis; (ii) shall install, at Interconnector's sole cost and expense and after giving notice to Interconnector, except during the Pilot Project Term, such additional equipment either new or upgraded from time to time, as it deems necessary in its sole judgment to have the capability to receive at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment to receive electronic measurement data and equipment to odorize the Gas received at the Interconnection Point. The Interconnector shall have the right to review and to propose reasonable changes to any SoCalGas proposal or request to upgrade, replace, or enhance existing equipment so long as the Interconnector's proposed changes meet industry and SoCalGas' standards and applicable codes and do not delay implementation nor jeopardize timely safety and code compliance. SoCalGas is, however, under no obligation, expressed or implied, to accept such

proposed changes. Disputes will be brought before the CPUC's Energy Division, which will resolve the issue in consultation with the CPUC's Consumer Protection and Safety Division.

(i) During the Pilot Project Term:

1) Pilot Project Capacity cost and expense shall be funded pursuant to the Decision and Incremental Capacity Cost differentiated from Pilot Capacity Cost as provided herein.

2) Incremental Capacity – Interconnector shall fund Incremental Capacity costs as provided herein.

(ii) Outside of the Pilot Project Term - all costs, Project and Incremental Capacity, shall be at Interconnector's sole cost and expense per Subsection 3(b) herein.

(c) Statements - Statements and/or invoices shall be sent to Interconnector as set forth in Rate Schedule No. G-CPS plus Biomethane Compression costs as set forth herein, except for the Pilot Project Capacity costs during the Pilot Project Term.

#### **SECTION 4** **GAS DELIVERIES**

(a) Quality

(i) Right of Refusal: SoCalGas shall have the continuing right at any time in its sole discretion to monitor the quality of Gas tendered by Interconnector and, subject to the limitations stated in D.07-08-029 and D.10-09-001, to refuse to accept delivery of any Gas that does not meet SoCalGas' Gas quality specifications, including its then current Tariff Rule 30 Gas quality specifications or other applicable regulation or Tariff Rule specifying Gas quality requirements or CPUC-approved specific deviation for the Interconnector. SoCalGas shall provide notice to Interconnector as soon as commercially practicable after any decision is made not to accept deliveries.

(ii) Gas Quality Monitoring and Enforcement: SoCalGas shall install, operate and maintain Facilities at Interconnector's sole cost and expense, including necessary meters and equipment, identified in Exhibit A of Schedule No. G-CPS plus the Biomethane Compression facilities, for the purpose of compressing, measuring the volume and quality of all Gas delivered to SoCalGas, except during the Pilot Project Term.

1) Pilot Project Term - During the Pilot Project Term, Pilot Project Capacity cost and expense shall be funded pursuant to the Decision as set forth herein.

2) Incremental Capacity – If Interconnector elects and SoCalGas agrees to install Incremental Capacity, Interconnector shall provide measurement data to differentiate Incremental Capacity and Pilot Project Capacity biogas contributions for the purposes of determining each capacity's individual compliance with the Pilot Project Capacity and any

applicable SoCalGas Rule 39 monetary incentive biomethane flow requirements. The measurement shall be designed, installed and maintained pursuant to good industry practice.

Unless another methodology is otherwise agreed to by SoCalGas, in its sole discretion, Interconnector shall provide SoCalGas with the Pilot Project Capacity total and Incremental Capacity total biogas hourly measurements, typical methane mole percent composition and the typical percent methane processing or bio-conditioning efficiency. For example, with a Pilot Project Capacity and Incremental Capacity biogas volumes of 80 and 20 MScfH, each containing 60% methane mole percent and a 99% processing efficiency, the Pilot Project Capacity and Incremental Capacity biomethane content would be 47.5 and 11.9 MScfH ( $80 * 60\% * 99\% = 47.5$  MScfH Pilot Project Capacity and  $20 * 60\% * 99\% = 11.9$  MScfH, respectively).

(iii) Change in Specifications: Nothing in this Agreement shall be deemed to prohibit Interconnector from challenging or seeking to modify any Gas quality specifications. If both Parties mutually agree to a deviation from the Gas quality tariff specifications or requirements for purposes of this Agreement, SoCalGas shall seek and obtain CPUC approval of such deviation by Advice Letter prior to incorporating and implementing such deviation as part of this Agreement.

(b) Uniform Flow - Interconnector shall to the extent feasible make deliveries of Gas at each of the Interconnection Point(s) at substantially uniform rates of flow during a particular flow day. If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service, if in the Utility's opinion receipt of such gas would jeopardize other operations, until such time appropriate actions have been taken to ensure compliance with this provision.

(c) Pressure - Interconnector shall deliver Gas to SoCalGas at the Interconnection Point at a delivery pressure sufficient to enter the SoCalGas system, but not more than the then current Maximum Allowable Operating Pressure ("MAOP") of SoCalGas' Facilities. SoCalGas shall provide the Interconnector with as much advance notice as is reasonably possible, but not less than ninety (90) calendar days' notice for an increase in Interconnector's maximum delivery pressure requirement and shall provide as much advance notice as is reasonably possible, but not less than forty-five (45) calendar days' notice for a decrease in minimum delivery pressure requirement. Changes in Interconnector's delivery pressure requirements resulting from force majeure events, emergency situations, or as a result of pipeline integrity inspections shall be exempt from these notification requirements. In the event the Interconnector cannot comply with the changes to maximum or minimum delivery pressure requirements within the above notice periods, the Interconnector shall inform SoCalGas of the reason for the delay ahead of time. If the reason for the delay in complying with the change in maximum or minimum delivery pressure requirement is reasonable, SoCalGas may, in its sole discretion, extend the date for complying with such change in delivery pressure requirements. If the reason for the delay is unreasonable, SoCalGas may proceed with the pressure change. Any dispute concerning SoCalGas' action concerning the notice period may be brought to the CPUC's attention pursuant to this Agreement.

(d) Metering - SoCalGas shall install equipment necessary to measure deliveries from Interconnector at the Interconnect Point. Interconnector may install or cause to be installed and

operate check meters at its sole option and expense to check SoCalGas' meters, but measurement of Gas for all purposes of and at all times under this Agreement shall be by SoCalGas' meters. Any such check meters and equipment shall be installed so as not to interfere with the operation of the meters, measuring and any other equipment now existing or later installed by SoCalGas.

(e) Meter Maintenance – SoCalGas will perform scheduled meter accuracy testing and calibration of its metering facilities pursuant to SoCalGas' standard practices, procedures and methods associated with the installed measurement equipment. The meter maintenance, testing and correction shall comply with the American Gas Association (AGA) Report 4A, Sample Contract Measurement Clause, Meter Facilities and applicable CPUC requirements. SoCalGas will also inspect/calibrate Gas meters to ensure conformance with manufacturer's stated accuracy in a field application, where such conformance does not conflict with applicable local code ordinances or regulatory requirements. SoCalGas shall preserve the meter maintenance records for a period of at least three years. Interconnector or its duly authorized representative(s) shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with SoCalGas' measuring equipment used in measuring deliveries from Interconnector to SoCalGas. SoCalGas shall give written, fax, or electronic mail notice to Interconnector prior to calibrating and testing. Except in the event of an emergency or operational necessity, such notice shall be given to Interconnector at least three (3) business days prior to any such activity. The records from such measuring equipment shall remain the property of SoCalGas, but upon request SoCalGas shall make available to Interconnector (and its representatives) copies of any such records and charts, together with calculations therefrom, for inspection and verification during normal business hours. SoCalGas will perform unscheduled and episodic tests of its measuring equipment upon Interconnector's request, where such tests can be operationally executed, to verify metering integrity/accuracy. SoCalGas will perform such testing in a reasonable timeframe. If, as a result of any testing, it is determined that there has been a combined (meter and transmitters) error in measurement greater than one percent (1%) from National Institute of Standards and Technology (NIST) traceable secondary field standard(s), the Parties will adjust all prior periods back to the period where it can be mutually determined and agreed upon that the errors commenced. If such an agreement cannot be reached, then SoCalGas shall estimate the Gas deliveries and correct the reading to a zero (0) error for the period during which the meter was in use. In all cases of meter error, period adjustments for meter error may not exceed three years prior to the date on which the discovering party provides notice to the other party. When a Gas meter is calibrated/inspected, SoCalGas shall confirm, where applicable, that the meter accuracy/condition is within the meter manufacturer's specifications for a field application and meets CPUC accuracy verification requirements. SoCalGas shall conduct such calibration and confirmation by using its NIST-traceable equipment, also known as its secondary field standards. If any Interconnector's request for special calibration shows that the combined measurement error does not exceed one percent (1%), then the cost of such requested special calibration shall be borne by Interconnector. In the event that any test of the metering equipment yields a combined measurement error greater than one percent (1%), then the cost of such requested special test and subsequent calibration shall be borne by SoCalGas.

(f) Measurement Accuracy - The accuracy of all measuring equipment shall be verified and/or calibrated by SoCalGas according to SoCalGas' recommended equipment maintenance schedules and using NIST traceable secondary standard equipment and transfer proving devices.



Where meter manufacturer's accuracy specifications and methods meet or exceed SoCalGas procedures and CPUC requirements for accuracy, SoCalGas will endeavor to provide calibration accuracy methodology and frequency conformance to such specifications. Electronic transmitters shall be calibrated if any verification/calibration point is found to be out of calibration in excess of plus or minus one-tenth of one percent ( $\pm 0.10\%$ ) of NIST traceable field calibration standards. Additionally, transmitters shall be calibrated if a bias occurs in a single direction (either positive or negative) for a consecutive period of three (3) months (transmitters shall be calibrated, to remove this bias, in the third (3<sup>rd</sup>) month of this period). All electronic transmitter verifications and calibrations shall meet or exceed the requirements defined in applicable API and AGA standards and publications. SoCalGas reserves the right to adopt and migrate to revisions of such standards in a manner which is logistically practical and economically cost-effective for its operations, and which affords Interconnector the same consideration. SoCalGas will provide Interconnector six (6) months notice where such changes may impact operations, equipment energy calculations and/or costs. Conversely, SoCalGas will not contemporaneously adopt the latest revision to such standards at Interconnector's request or as any statutory interpretation of this Agreement without careful consideration of the foregoing. Where migration to standards revisions requested by Interconnector results in incremental SoCalGas equipment, processes, data systems, employee training or other resource allocations, Interconnector shall provide SoCalGas funding for any and all migration and implementation costs. SoCalGas shall make available to Interconnector on as current basis as reasonably feasible any electronic measurement data if compatible with Interconnector's electronic files (not "hard copy") that SoCalGas obtains related to Gas delivered at the Interconnection Point. The Parties recognize the value of implementing utilization of electronic measurement devices (to the extent they are recognized in the Gas industry as dependable, accurate and cost effective) and shall jointly cooperate to implement the installation of such devices, and sharing the data therefrom, to provide as current measurement information to each other as reasonable under the circumstances; however, no particular electronic measurement device or method of sharing of electronic data therefrom (on a real time basis or otherwise) shall be required unless mutually agreed. Each Party shall be responsible for the cost, compatibility and operation of its own measurement-related electronic systems.

(g) Measurement Calculation - The Mcf and Btu values determined by SoCalGas shall be utilized for the calculation of deliveries of Gas to SoCalGas, subject to any subsequent adjustments as provided above. Calculation of metered Gas volumes shall be performed in accordance with the most recent version of the applicable AGA standards and SoCalGas' measurement and billing procedures. The determination of Gas components shall be completed utilizing a Gas chromatograph approved by the CPUC and SoCalGas that will be linked to the flow-measuring device (completing real-time volume and energy calculations).

(h) Odorant - In the event that Gas delivered by Interconnector at the Interconnection Point is required by SoCalGas to be odorized, the odorant shall be a commercially available odorant blend agreed to by SoCalGas and the odorant concentration shall conform to DOT 192.625 and as otherwise required by SoCalGas. Interconnector shall provide SoCalGas a minimum of thirty (30) calendar days written notice prior to making any changes in the quality or quantity of odorant in the Gas stream.

(i) Suspension of Deliveries/Receipts –

(i) Either Party may suspend deliveries or receipts immediately, and at any time, in the event that:

1) there is any system or pipeline operations or other action or inaction, that could impair the safety or reliability of either Party's facilities or systems, or could impair the deliverability of the Gas to be delivered through the Interconnection Point, or would constitute a material default of this Agreement,

2) there is no CPOBA in effect governing the resolution of imbalances between the quantities of Gas confirmed and scheduled, and the quantities of Gas delivered, to the Interconnection Point, or

3) the CPUC, or any other administrative agency with jurisdiction over the subject matter hereof, materially changes, alters or modifies this Agreement, such that a Party is deprived of its benefits anticipated herein.

(ii) The Party suspending deliveries or receipts will provide notice to the other Party of such suspension and the cause, to the extent identifiable, as soon as commercially reasonable. In the event such suspension continues for a period of six (6) months without either resolution of the underlying situation, or a mutually agreed upon written plan of resolution, either Party may terminate this Agreement at any time thereafter upon providing an additional thirty (30) calendar days written notice.

## **SECTION 5** **ASSIGNMENT**

(a) Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(i) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(ii) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(iii) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

**SECTION 6**  
**NOTICES**

(a) Form of Notice - All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

**Interconnector:**

Mailing Address: CalBioGas Buttonwillow LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Email Address: [REDACTED]

**SoCalGas:**

Mailing Address: Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
559-739-2307  
Attn: Ty Korenwinder

Email Address: [tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

**SECTION 7**  
**LIMITED WARRANTY**

(a) SoCalGas Services - SoCalGas warrants to Interconnector that any work performed by SoCalGas hereunder will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry

***Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023***

standards for this type of work. Interconnector disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

## **SECTION 8** **INDEMNITY**

(a) Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

(b) Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

## **SECTION 9** **DISPUTE RESOLUTION**

(a) Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any

such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

## **SECTION 10** **MISCELLANEOUS**

(a) Choice of Law - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

(c) Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) herein.

(d) Entire Agreement - This Agreement, the California Producer Interconnect Collectible System Upgrade Agreement for SB 1383 Dairy Pilot Project, the SB 1383 Dairy Pilot Project Funding Agreement, the CPOBA and the Confidentiality Agreement (effective date of March 17, 2018) between the Parties (the "Project Agreements") constitute the entire agreement between the Parties pertaining to the subject matter hereof, and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one of more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

(e) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(f) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity

or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

(g) Credit –

(i) Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

(ii) SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

(iii) In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

(iv) The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume creditworthiness on behalf of the Interconnector in accordance with the following provisions:

1) SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the "Guaranty") from the Guarantor.

2) The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector's creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 10(g)(v) is not received within fifteen (15) calendar days of SoCalGas' notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

(v) In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall

accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector's Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by the Natural Gas Intelligence ("NGI") (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

(h) No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

(i) Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

(j) Attorneys' Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

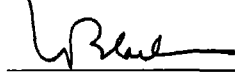
(k) Regulation - This contract shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction.

(l) Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2(a), 2(b), 2(c), and so on.

(m) Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 7, 8 and 10 shall survive.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their authorized representatives as of the day and year first written above.

CALBIOGAS BUTTONWILLOW LLC

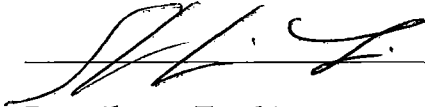


By: Neil Black

Title: President

Date: 2-28-19

SOUTHERN CALIFORNIA GAS COMPANY



By: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019



**EXHIBIT A: INTERCONNECTOR'S FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

CalBioGas Buttonwillow LLC

and

Southern California Gas Company

Dated: February 26, 2019

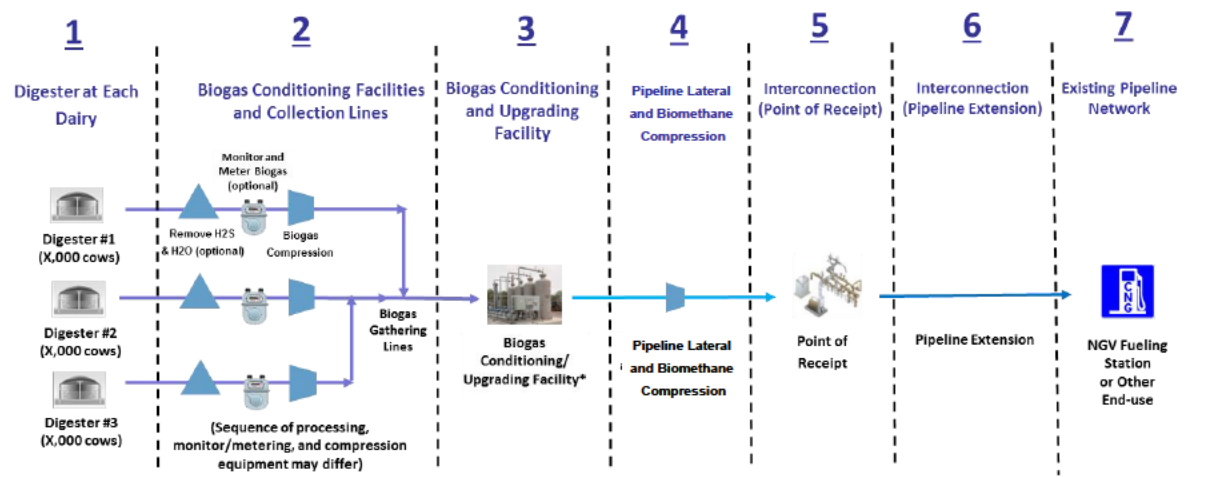
Interconnector's Facilities include the Gas pipeline facilities from the outlet of Interconnector's gas processing facilities located at or near [REDACTED] in Buttonwillow, California up to the Interconnection Point generally located on or near the property.

Interconnector shall ensure that all Interconnector Facilities are designed, installed, and tested per all applicable laws, regulations, codes and standards ("Applicable Laws") including, but not limited to the following:

- All applicable ASME piping standards
- All applicable State, County and City codes and standards
- All applicable US Federal and State of California, Occupational Safety and Health Administration (OSHA) Standards and Regulations
- As otherwise required in the Decision

Interconnector's upstream facilities shall be designed and operated in such a manner that they do not over pressure or otherwise exceed the maximum allowable operating pressure of SoCalGas' Facilities and meet the [REDACTED] psig minimum suction pressure of SoCalGas' Biomethane Compression.

Facilities upstream of Interconnector's Facilities include the collection pipelines and processing systems are generally described and depicted below in lanes or columns 1-3:



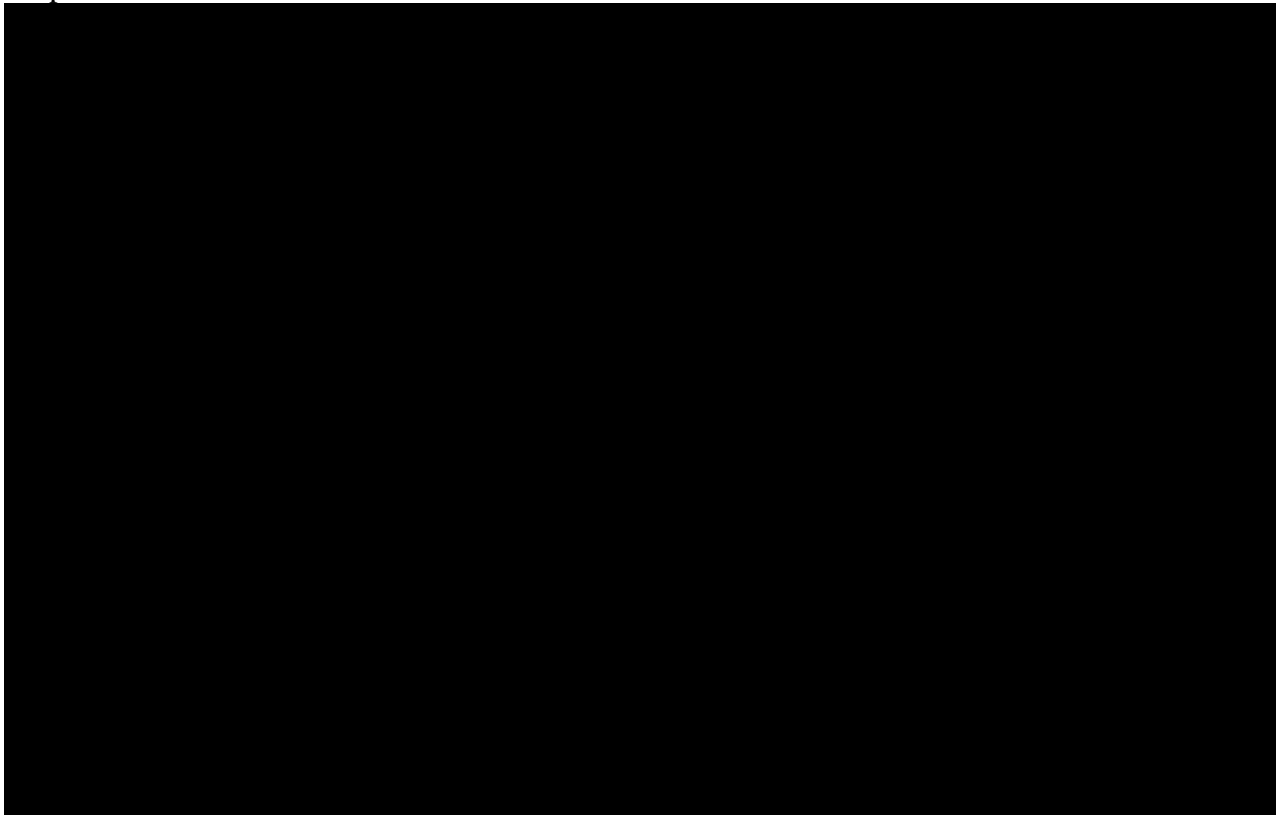
**Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023**

Covered lagoon digesters at various local dairies digest dairy manure to generate biogas that is pre-treated at each dairy to remove some gas constituents and transported to biogas cleanup equipment at Interconnectors centralized facility where the gas goes through further processing to meet SoCalGas Rule 30 gas quality specifications. The Rule 30 compliant processed gas / biomethane is delivered to SoCalGas' Biomethane Compression.

The local dairies supplying biogas to deliver the volume for the Pilot Project Capacity are as follows, based on estimated Manure Equivalent Milkers and estimated average Biomethane production levels, and any not listed are deemed to support Incremental Capacity:

<u>Dairy</u>	<u>Estimated Manure Equivalent Milkers</u>	<u>Estimated Biomethane (MScfD)</u>
West Star North Dairy		
Goyenette Dairy		
Maya Dairy		
Oasis Holsteins Dairy		
Skyview Dairy		
Southern Cross Dairy		
Tjaarda Dairy		
Whiteside Dairy		
Total		

Map of local dairies:



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**EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

CalBioGas Buttonwillow LLC

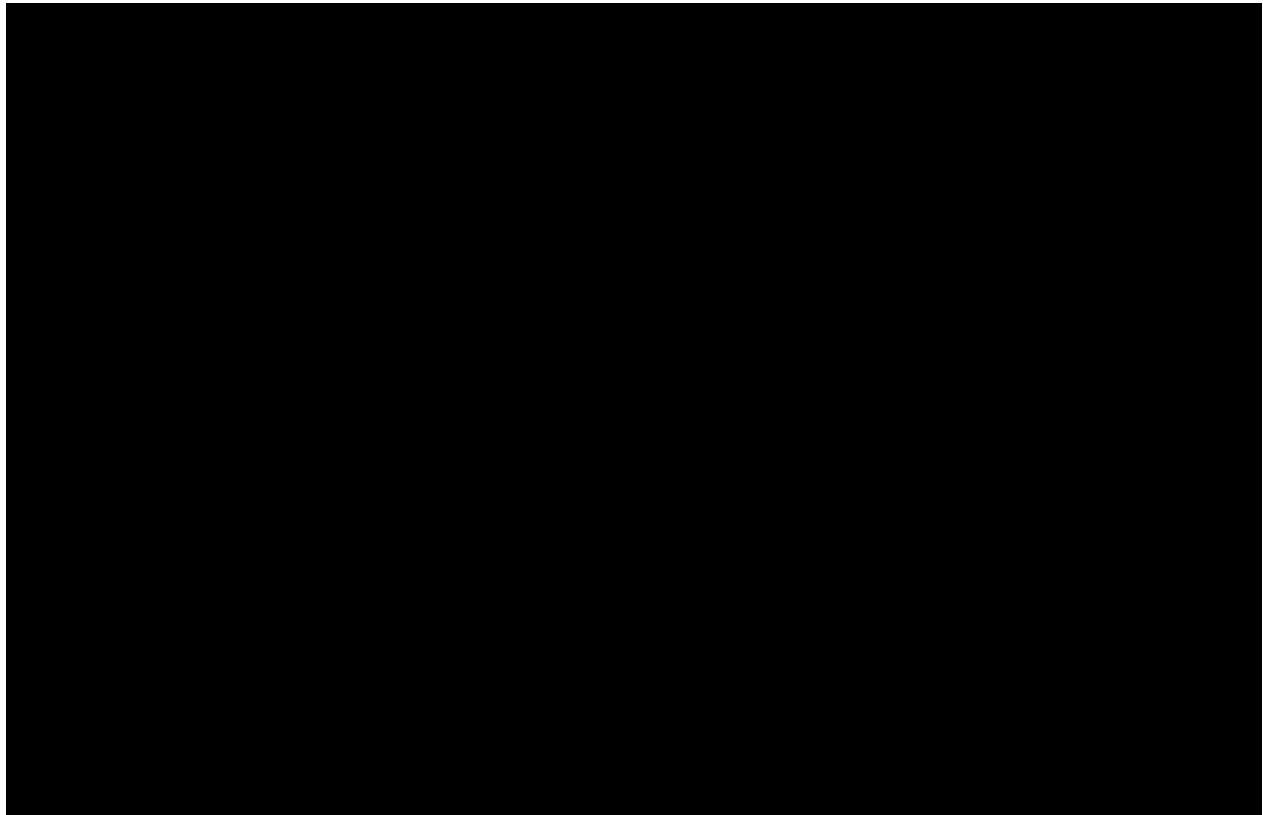
and

Southern California Gas Company

Dated: February 26, 2019

SoCalGas' Facilities, identified as Orifice Meter \_\_\_\_\_ (OM \_\_\_\_\_), are owned and operated by SoCalGas and include the Gas pipelines, Biomethane Compression, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system as generally depicted in the Meter Set Assembly for Buttonwillow Interconnect Project diagram below and Schedule G-CPS Exhibit A (plus the Biomethane Compression).

The Interconnection Point and SoCalGas' Facilities start on Interconnector's property, at or near [REDACTED] in Buttonwillow, California as generally shown below, and connect to SoCalGas' Biomethane Compression facility whose Maximum Operating Pressure ("MOP") is [REDACTED] psig. The biomethane will flow into SoCalGas' Supply Line 38-362.



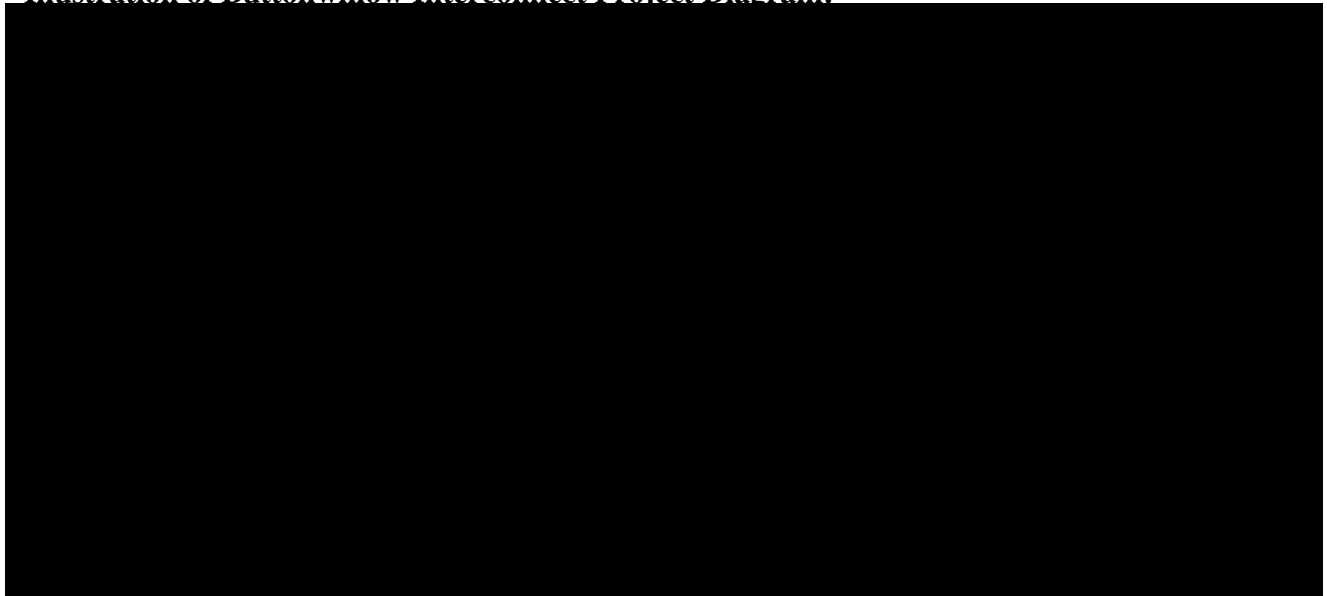
***Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023***

Interconnection Point will be an electronically isolated flange at the end of Interconnector's Facilities and SoCalGas' Facilities inlet piping as generally depicted in the Buttonwillow Interconnect Project diagram below.

SoCalGas' Biomethane Compression will be designed for a minimum suction pressure of [REDACTED] [REDACTED] psig and a minimum volume of [REDACTED] MScfH.

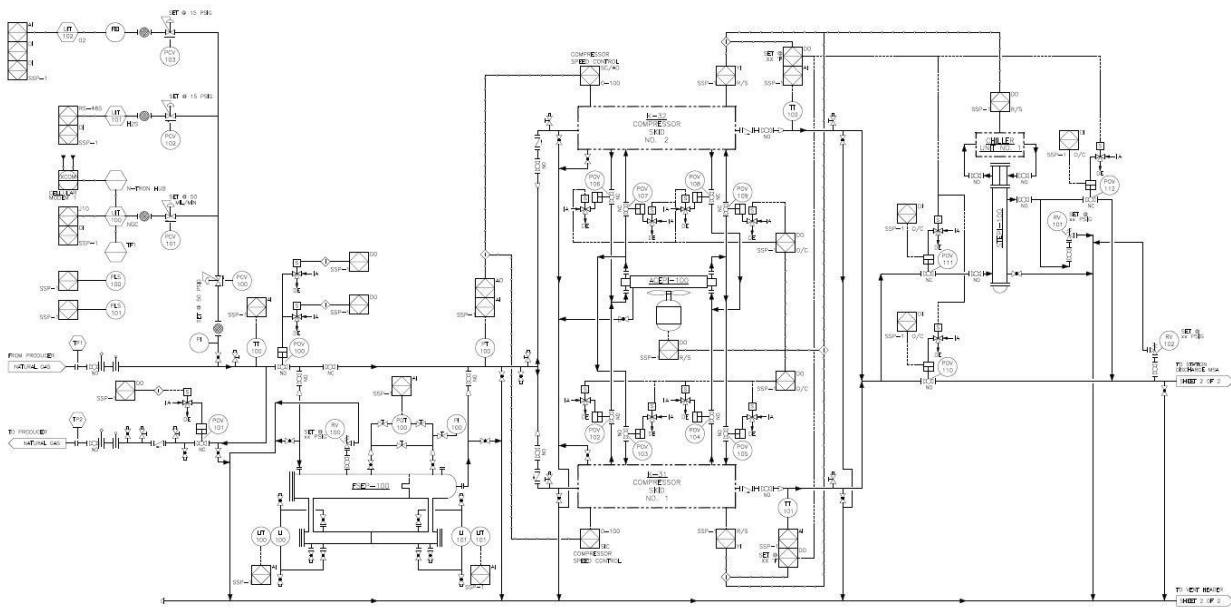
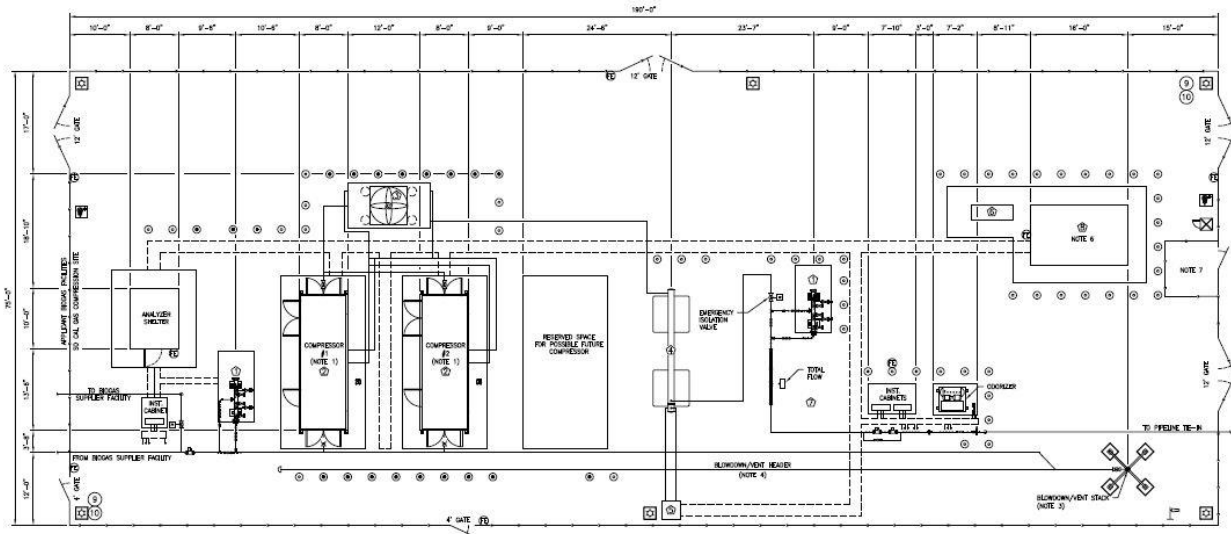
SoCalGas measurement will be designed for a minimum twenty-seven inch (27") and maximum one hundred inch (106") water column ("w.c.") differential on a sustained basis yielding a [REDACTED] and maximum [REDACTED] [REDACTED] MMScfD, ratably delivered on an hourly basis [REDACTED] MScfH, respectively). On a temporary basis, the measurement minimum is five-tenths of an inch (0.5") w.c. differential.

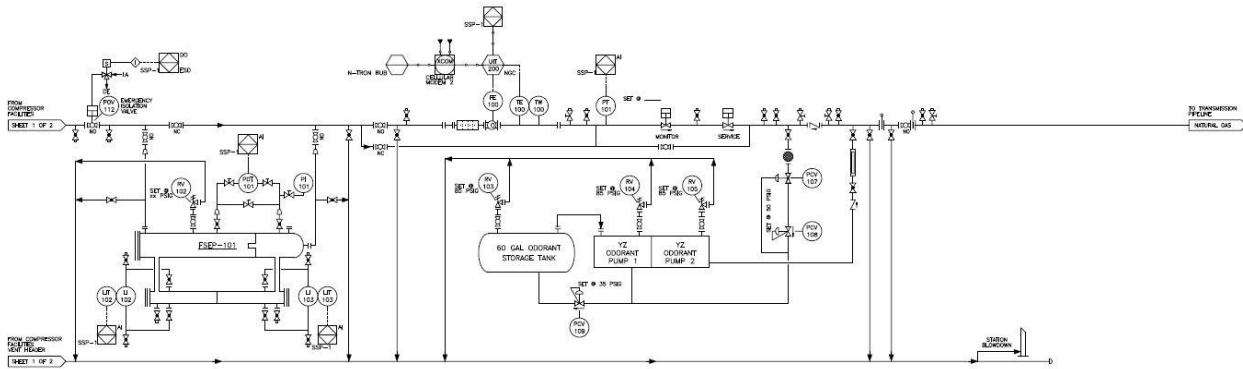
**Illustration of Buttonwillow Interconnect Project Diagram:**



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# Illustrations of SoCalGas' Facilities:





**EXHIBIT D: INTERCONNECTOR DEMONSTRATION OF PROJECT READINESS**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

CalBioGas Buttonwillow LLC

and

Southern California Gas Company

Dated: February 26, 2019

**CHECKLIST**

<b>COMMERCIAL</b>	
<input type="checkbox"/>	Project Funding Matrix (Executed)
	<ul style="list-style-type: none"><li>• Provided actual executed agreements with all investors</li><li>• Provide actual executed loan agreements from all lenders</li><li>• Updated Project Budget, including incorporation of the EPC definitive cost estimate, is within approved funding levels</li></ul>
<input type="checkbox"/>	Project Materials Supply Agreements Matrix
	<ul style="list-style-type: none"><li>• All feedstock (manure) supply agreements in place with each dairy with sufficient volume to support operations at full capacity</li><li>• All chemical or catalyst supply agreements are in place with sufficient volume to support operations at full capacity</li></ul>
<input type="checkbox"/>	Project Product Off-take Agreements Matrix
	<ul style="list-style-type: none"><li>• Identify primary partners/clients and projected RNG off-take volumes</li></ul>

<b>SITE</b>	
<input type="checkbox"/>	Civil Works and Site Plans Stamped by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Geotechnical evaluations – subsurface conditions accounted for in design and construction cost estimate</li> <li>• ALTA (American Land Title Association) Surveys</li> </ul>
<input type="checkbox"/>	Encroachment Permit List/Right of Way Agreements Matrix
	<ul style="list-style-type: none"> <li>• Interconnections (utilities, feedstock, product transportation) have been planned and mutually agreed upon by all associated parties (utility suppliers, feedstock providers, biogas to conditioning/sweetening system(s), etc.)</li> <li>• Identify which permits have been approved and agreements executed and indicate expected dates of completions for those still pending</li> </ul>
<input type="checkbox"/>	Site lease and/or purchase agreements executed for each location
<b>PROJECT</b>	
<input type="checkbox"/>	Project Execution Plan
<input type="checkbox"/>	Long Lead-time/Critical Equipment Issued Purchase Orders and Down Payments
<input type="checkbox"/>	Operations and Maintenance (O&M) Plan
	<ul style="list-style-type: none"> <li>• Overall approach strategy (3<sup>rd</sup> party service provider, self-perform, etc.)</li> <li>• Training and Staffing Plan</li> <li>• Spare parts plan</li> <li>• O&amp;M agreement with service provider(s)</li> </ul>

<b>TECHNOLOGY</b>	
<input type="checkbox"/>	Front End Engineering Design (FEED) Issued by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Process design complete for complete operations at full capacity, including digesters and conditioning/sweetening systems at each dairy, gathering lines, and upgrading plant <ul style="list-style-type: none"> <li>– Process and utility equipment specifications</li> <li>– Process flow diagrams (PFDs) and piping &amp; instrument diagrams (P&amp;IDs)</li> <li>– Mass and energy balance for overall process and each site and system/subsystem</li> <li>– Utility and balance-of-plant support requirements</li> </ul> </li> </ul>
<input type="checkbox"/>	Technical license agreements have been executed and all related fees and royalties are accounted for in capital and operating cost models



<b>ENVIRONMENTAL/REGULATORY</b>	
<input type="checkbox"/>	Project Permit List Matrix (with application status, durations, contacts, costs)
<input type="checkbox"/>	California Environmental Quality Act (CEQA) Determinations Report
	<ul style="list-style-type: none"> <li>• Environmental permit requirements under California Environmental Quality Act (CEQA) and other applicable guidelines and standards as well as local, State and Federal laws are fully identified</li> <li>• Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A of Exhibit 1)</li> </ul>
<input type="checkbox"/>	County Planning Approvals
<input type="checkbox"/>	California Air Resource Board Approvals
<input type="checkbox"/>	California State Water Resources Control Board Approvals
<input type="checkbox"/>	Office of the State Fire Marshal Approvals

<b>CONSTRUCTION</b>	
<input type="checkbox"/>	EPC or Contractor Executed Agreement(s)
	<ul style="list-style-type: none"> <li>• Scope of work</li> <li>• Performance and schedule guarantees</li> <li>• Warranties</li> <li>• Acceptance criteria</li> <li>• Testing criteria</li> <li>• Liquidated damages</li> <li>• Startup/Commissioning</li> </ul>
<input type="checkbox"/>	Baseline Project Schedule

**CalBioGas Buttonwillow LLC**

Attachment B: California Producer Interconnect Collectible System Upgrade Agreement  
for SB 1383 Dairy Pilot Project (Form 6456)

## EXHIBIT C

### CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM UPGRADE AGREEMENT for SB 1383 DAIRY PILOT PROJECT

This Agreement (“Agreement”) is entered into as of February 26, 2019 (“Effective Date”) by and between Southern California Gas Company (“SoCalGas”) and CalBioGas Buttonwillow LLC, a California Limited Liability Company (“Interconnector”). SoCalGas and Interconnector may be referred to herein severally as a “Party,” or jointly as “Parties.”

WHEREAS, SoCalGas is a public utility regulated by the California Public Utilities Commission and is involved in the receipt and redelivery of natural gas to its customers; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Senate Bill (“SB”) 1383 requires the CPUC, in consultation with the California Air Resources Board (“ARB”) and the California Department of Food and Agriculture (“CDFA”) (collectively, the “Selection Committee”), to direct Utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys including the Buttonwillow – California Bioenergy project herein; and

WHEREAS, Interconnector is a dairy based biomethane developer and would benefit from SoCalGas being capable of receiving Gas at the Interconnection Point for redelivery to customers; and

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

#### **SECTION 1** **SCOPE OF AGREEMENT**

(a) **Scope** - This Agreement sets forth the terms and conditions under which SoCalGas agrees to design, engineer and construct Gas facilities including pipelines, Biomethane Compression, meters, regulators and appurtenant facilities and related system upgrades in order to provide the Interconnect Capacity from Interconnector’s pipeline facilities near [REDACTED] in Buttonwillow, California to SoCalGas’ existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector’s Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to the California Producer Interconnection Agreement (“CPIA”) and California Producer Operational Balancing Agreement (“CPOBA”) between the Parties dated February 26, 2019, for the account of itself or its affiliates or third parties for transport on SoCalGas’ pipeline system in California. Interconnector agrees to pay the actual costs for SoCalGas’ Facilities constructed by SoCalGas hereunder that are caused by Interconnector’s Incremental Capacity. Payment by Interconnector does not imply

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that Interconnector is entitled to receive transportation services from the Interconnection Point under this Agreement. Attached hereto as Exhibit A and incorporated by reference herein is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B and incorporated by reference herein.

(b) Definitions - For purposes of this Agreement defined terms shall have the meaning set forth in the CPIA or as otherwise set forth below:

(i) "SoCalGas' Facilities" shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement including Btu district additions and enhancements, Biomethane Compression, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the state of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) "CPUC" shall mean the Public Utilities Commission of the State of California.

(iii) "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas' tariffs, rules and other applicable regulations.

(iv) "In-Service Date" is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) "Interconnect Capacity" shall be as defined in the CPIA. Interconnect Capacity does not reflect SoCalGas' ability to provide takeaway capacity from the outlet of SoCalGas' Facilities at the Interconnection Point.

(vi) "Interconnection Point" shall mean that point where SoCalGas' Facilities and Interconnector's Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) "Interconnector's Facilities" shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by Interconnector up to the Interconnection Point.

(c) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts

with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

## **SECTION 2**

### **CONDITIONS PRECEDENT**

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Conditions:

(i) Governmental Authorizations:

1. Interconnector: On or before [REDACTED], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction and [REDACTED] for operation of Interconnector's Facilities.

2. SoCalGas: On or before commencement of construction, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) from any other governmental or local agency, if necessary in SoCalGas' sole judgment, the proper approvals required for SoCalGas to dispense its duties under this Agreement.

(ii) Interconnector Commitments:

1) On or before commencement of construction, Interconnector shall have paid SoCalGas for SoCalGas' total estimated Incremental Capacity Cost related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

2) Prior to SoCalGas incurring significant costs, including but not limited to, procuring materials and constructing SoCalGas' Facilities, Interconnector shall provide adequate evidence and documentation to show the project is considered project ready pursuant to the CPIA Exhibit D Interconnector Demonstration of Project Readiness.

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(iii) SoCalGas Commitments: On or before commencement of construction, SoCalGas shall have accepted payment by Interconnector of the total estimated Incremental Capacity Cost related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

(c) Notification - Each Party shall notify the others in writing whenever in its sole opinion any of the foregoing conditions in Subsection 2 (b) have been satisfied. Interconnector shall retain the right to waive conditions 2(b)(i)(2) and SoCalGas shall retain the right to waive conditions 2(b)(i)(1) and 2(b)(ii) (but no such condition may be waived except in writing).

(d) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such 45th day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(e) Cooperation - Each Party shall cooperate with the other Parties as is reasonable under the circumstances, and keep the other Parties advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

(f) Termination Charges - In the event that this Agreement is terminated under Subsection 2(d), Interconnector shall pay SoCalGas the actual costs of that portion of SoCalGas' Facilities constructed to date plus any other costs already incurred and other unavoidable costs incurred or to be incurred by SoCalGas arising out of SoCalGas' performance pursuant to this Agreement for all Incremental Capacity.

### **SECTION 3** **CONSTRUCTION, PAYMENT, AND OPERATIONS**

(a) Description of Interconnection Facilities - Interconnector's Facilities shall interconnect with the SoCalGas' Facilities at the Interconnection Point. All deliveries of Gas by Interconnector to SoCalGas for transport shall occur at the Interconnection Point. All Interconnector's and SoCalGas' Facilities shall meet SoCalGas' minimum specifications for materials, installation, testing and acceptance.

(b) Installation of Facilities

(i) At the Interconnection Point, Interconnector shall install such piping, regulators, valves, separators, quality measurement, odorant or other equipment as the Parties mutually agree are necessary on the Interconnector's system to deliver at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed) at a delivery pressure sufficient to enter the SoCalGas system at the Interconnection Point, but not to exceed the Maximum Allowable Operating Pressure ("MAOP"), as solely determined by SoCalGas. Interconnector shall also acquire the rights-of-way for SoCalGas' Facilities to SoCalGas' sole satisfaction.

(ii) SoCalGas shall design, engineer and acquire permits, if necessary, to construct, and install such piping, regulators, valves, meters, separators, quality measurement, odorant or other equipment, as it deems necessary to have the capability to measure, regulate, and receive from the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed).

(iii) No SoCalGas Facilities which are to be paid for by Interconnector shall be designed, engineered or constructed by SoCalGas without Interconnector's prior written approval of the total estimated cost, as set forth in Exhibit C. Interconnector acknowledges that the total estimated Incremental Capacity Cost is an estimate only and that Interconnector will be responsible for SoCalGas' actual costs including, but not limited to, its labor, procurement, permits and associated fees, indirect costs and internal overheads, of designing, engineering, installing and constructing any facilities described in Exhibit C, including any related income tax liability thereon, whether or not such costs are above or below advance payments made or detailed cost estimates provided to Interconnector by SoCalGas.

(iv) SoCalGas shall submit to Interconnector, as available from time to time, any proposal regarding the scope of services to be performed, and schedules for construction (including ordering materials) and estimated costs related to implementing such Interconnection Capacity as set forth in Exhibit C, based on the mutually agreed date projected as the In-Service Date (as determined in good faith from time to time).

(v) Interconnector shall, within a reasonable period of time given the nature of any such proposal, accept or reject any such proposal in writing.

(vi) Interconnector shall be solely responsible hereunder for any failure by SoCalGas to timely complete SoCalGas' Facilities at the Interconnection Point delaying the In-Service Date including all costs resulting therefrom, which failure is solely attributable to Interconnector's delay or refusal in approving any reasonable proposal by SoCalGas.

(vii) Prior to SoCalGas making any financial commitment hereunder, SoCalGas, in its sole discretion, shall be satisfied that Interconnector has the financial capability of performing fully any payment obligations to SoCalGas that may arise in connection therewith.

(viii) If the Interconnection Point or any related facilities are deemed noncompliant with any order, rule or regulation of any governmental agency as interpreted by SoCalGas, SoCalGas shall send Interconnector a notice of the noncompliance along with an

Incremental Capacity Cost estimate and scope of additional work for correction that would be done pursuant to the terms herein. The Interconnector shall have thirty (30) calendar days to respond to SoCalGas with payment of estimated costs for the specified remediation project. Failure by Interconnector to provide an acceptable response to SoCalGas shall result in a suspension of access at the Interconnection Point until such time as the identified issue is corrected to SoCalGas' satisfaction.

(c) Payment by Interconnector - Interconnector shall advance SoCalGas' total estimated Incremental Capacity Cost set forth within the scope of an approved Exhibit C, if applicable. After a final accounting has been made by SoCalGas but in no event later than 18 months after the In-Service Date, Interconnector shall reimburse SoCalGas for its actual costs above the prepaid estimated costs, including indirect costs and overheads, carrying costs, designing, engineering, installing, permitting and constructing SoCalGas' Facilities set forth in an approved Exhibit C, and including any related income, CIAC, or other tax liability thereon, even if such costs are above cost estimates provided to Interconnector by SoCalGas within thirty (30) calendar days of invoice from SoCalGas. After a final accounting has been made by SoCalGas but in no event later than 18 months after the In-Service Date, any advances paid, which are in excess of SoCalGas' actual costs, shall be returned to Interconnector.

(i) With respect to the Incremental Capacity Cost, Interconnector may request and SoCalGas shall agree to Interconnector's audit of the accounting records applicable to the construction of SoCalGas' Facilities for the Incremental Capacity at Interconnector's expense. Such audit must be conducted during the term hereof or for a period of up to one year after termination and by a certified public accountant.

(d) Interconnector Guaranty - In the event that on or before, December 31, 2021, the In-Service Date has not occurred, SoCalGas shall invoice Interconnector and Interconnector shall within ninety (90) calendar days following receipt of the invoice, reimburse SoCalGas for the actual Incremental Capacity Cost unpaid to date (including indirects, overheads, and carrying costs if applicable) of all SoCalGas' Facilities constructed and services provided pursuant to this Agreement.

(e) Coordination - The Parties shall cooperate together and establish such procedures as may be deemed appropriate by the Parties to coordinate the design, planning, construction and completion by the In-Service Date of Interconnector's and SoCalGas' Facilities at the Interconnection Point.

(f) General Indemnity - As between SoCalGas on the one hand, and Interconnector on the other hand, each Party shall be solely responsible for, and shall indemnify, defend and hold the other Party and its officers, shareholders, employees, agents, representatives, successors and assigns harmless from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses including without limitation, reasonable attorneys fees (including fees and disbursements of in-house and outside counsel) of any kind whatsoever to the extent resulting from the indemnifying Party's negligent performance of its obligations pursuant to this Agreement.



(g) Specific Indemnity - As to the actual “tying-in” of the respective facilities constructed by the Parties under this agreement, SoCalGas shall be solely responsible for performing the “tie-in”.

**SECTION 4**  
**ASSIGNMENT**

Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(a) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(b) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(c) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

**SECTION 5**  
**NOTICES**

(a) Form of Notice – All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

Interconnector:

Mailing Address: CalBioGas Buttonwillow LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Email Address: [REDACTED]  
[REDACTED]

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SoCalGas:

Mailing Address: Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
559-739-2307  
Attn: Ty Korenwinder

Email Address: [tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

**SECTION 6**  
**LIMITED WARRANTY**

(a) Services - SoCalGas warrants to Interconnector that the work performed by SoCalGas will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

**SECTION 7**  
**MISCELLANEOUS**

(a) Laws - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. In the event of a delay caused by a force majeure event, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

(c) Entire Agreement - This Agreement, the CPIA, the SB 1383 Dairy Pilot Project Funding Agreement, the CPOBA and the Confidentiality Agreement (effective date March 17, 2018) between the Parties (the "Project Agreements") constitute the entire agreement between the Parties pertaining to the subject matter hereof, and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one or more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

(d) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(e) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

(f) Disputes - Any dispute or need for interpretation arising out of this Agreement, which cannot be resolved after a reasonable period of time of good faith negotiation, will be submitted to the CPUC for resolution.

(g) Term - This Agreement shall become effective on the Effective Date provided at the beginning of this Agreement and, unless terminated earlier, continue until the later of the "In Service Date" for Interconnector's Facilities or the date upon which the Parties' obligations under this Agreement have been fulfilled.

(h) Attorneys' Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

(i) Regulation - SoCalGas is a California utility subject to the jurisdiction of the CPUC. In the event the CPUC, or any other administration agency with jurisdiction over the subject matter hereof, materially change, alter or modify this Agreement, such that a party is deprived of its benefits anticipated herein such Party may terminate this Agreement upon 15 calendar days notice or immediately if necessary to comply. In such event Interconnector remains liable for payment of those costs incurred by SoCalGas pursuant to any approved Exhibit B up to such date.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their authorized representatives as of the day and year first written above.

CALBIOGAS BUTTONWILLOW LLC

By:  \_\_\_\_\_

Name: Neil Black

Title: President

Date: 02-28-19

SOUTHERN CALIFORNIA GAS COMPANY

By:  \_\_\_\_\_

Name: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019

**EXHIBIT A: INTERCONNECTOR'S FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM  
UPGRADE AGREEMENT**

between

CalBioGas Buttonwillow LLC

and

Southern California Gas Company

Dated: February 26, 2019

Interconnector's Facilities are defined in the CPIA Exhibit A.

**EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES**  
**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM**  
**UPGRADE AGREEMENT**

between  
CalBioGas Buttonwillow LLC  
and  
Southern California Gas Company  
Dated: February 26, 2019

Interconnector's Facilities and SoCalGas' Facilities are identified in the CPIA Exhibit B.

**EXHIBIT C: SCOPE OF SERVICES**

**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM  
UPGRADE AGREEMENT**

between  
CalBioGas Buttonwillow LLC  
and  
Southern California Gas Company  
Dated: February 26, 2019

Interconnector requests SoCalGas to complete the design, engineering, procurement and construction, commissioning activities described herein, for the installation of SoCalGas' Facilities located at or near [REDACTED] in Buttonwillow, California to accommodate Interconnector's Rule 30 compliant Gas deliveries, ranging from a minimum to a maximum of [REDACTED] and [REDACTED] thousand standard cubic feet per day (MScfD), respectively, delivered at a one-twenty-fourth (1/24) hourly equivalent rate ("Scope of Services").

SoCalGas shall fund the Table A: Pilot Project Capacity SoCalGas' Facilities Authorized Bid Amount per the Decision and this Agreement.

SoCalGas shall invoice Interconnector the estimated Table B: SoCalGas' Facilities Incremental Capacity Cost Incremental Capacity Cost of [REDACTED] for this component of the Scope of Services ("Estimated Costs"). The invoice shall also include, to the extent they are taxable to SoCalGas, an estimate of the applicable Income Tax Component of Contributions and Advances ("ITCCA") for the capital portion of all contributions and advances by Interconnector.

Table A: Pilot Project Capacity SoCalGas' Facilities Authorized Bid Amount based on 40 MScfH

Scope	Total Installed Cost	Annual O&M
Pipeline Lateral and Biomethane Compression	[REDACTED]	[REDACTED]
Interconnection (Point of Receipt)	[REDACTED]	[REDACTED]
Pipeline Extension	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

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Table B: SoCalGas' Facilities Incremental Capacity Cost

Scope	Total Installed Cost
Pipeline Lateral and Biomethane Compression	
Interconnection (Point of Receipt)	
Pipeline Extension	
Total	

At Interconnector's request and for informational purposes only, SoCalGas has categorized, in the Table B above, SoCalGas' Incremental Capacity Cost estimate into pipeline lateral and Biomethane Compression, Interconnection Point, and pipeline extension.

*\*All cost estimates expire upon the earlier of ninety (90) calendar days after the date sent by SoCalGas or the otherwise stated expiration date or condition(s).*

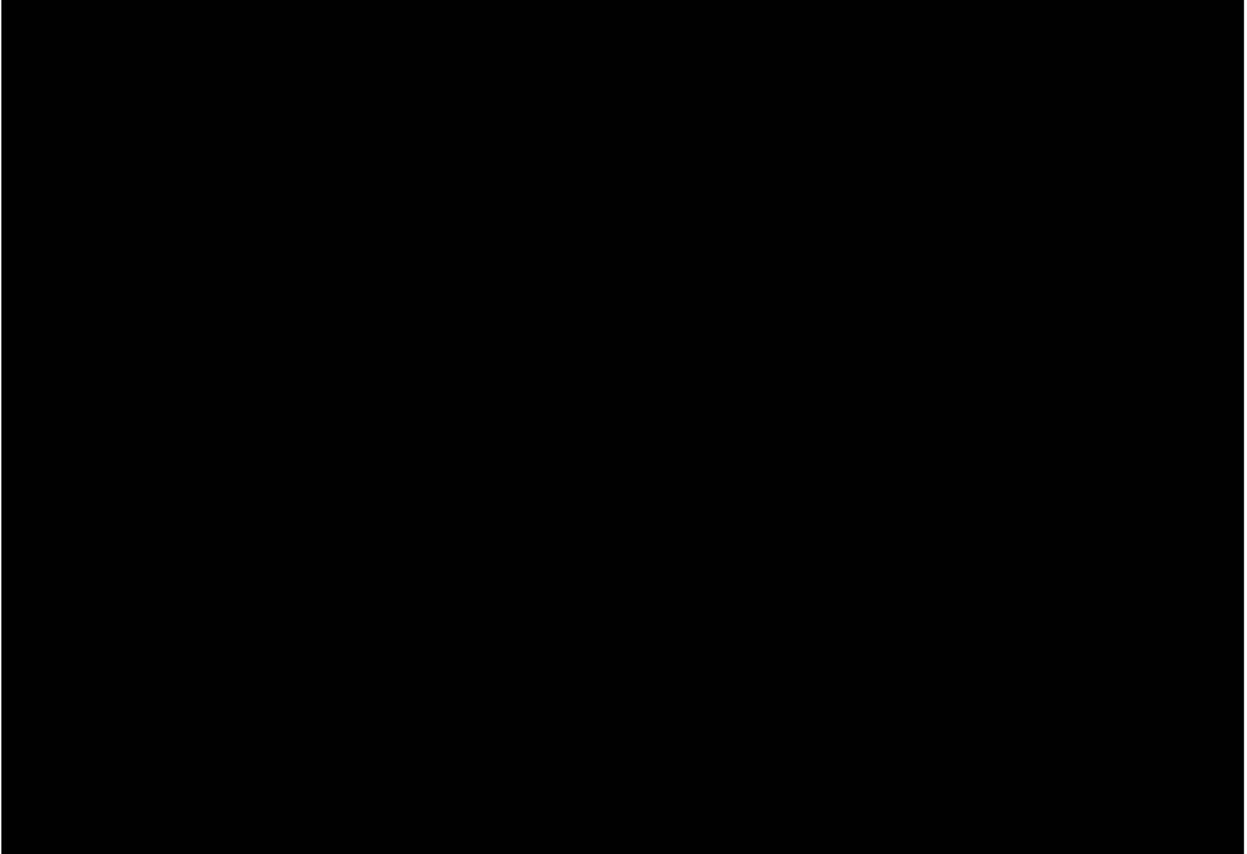
*Interconnector acknowledges and agrees that estimated costs and timeline for the services to be provided under this Agreement, including the In-Service Date, are subject to change and may be impacted by additional interconnection requirements and conditions including, but not limited to, availability of materials and contractors, unforeseen permitting, environmental, or construction requirements, and/or other legal, regulatory or Interconnector actions or contractual requirements that may cause delay, such as Interconnector's failure to (i) execute all necessary agreements, (ii) provide requested information, (iii) fund invoices, and (iv) obtain necessary governmental authorizations or approvals and permits necessary for SoCalGas Facilities, and/or (v) SoCalGas' acceptance of Installment Payments at Interconnector's request.*

*SoCalGas explicitly makes no representations or warranties concerning its ability to meet the Scope of Services targeted completion dates and shall not be liable for any cost or damage incurred by Interconnector because of any delay in the work provided for in this Agreement.*

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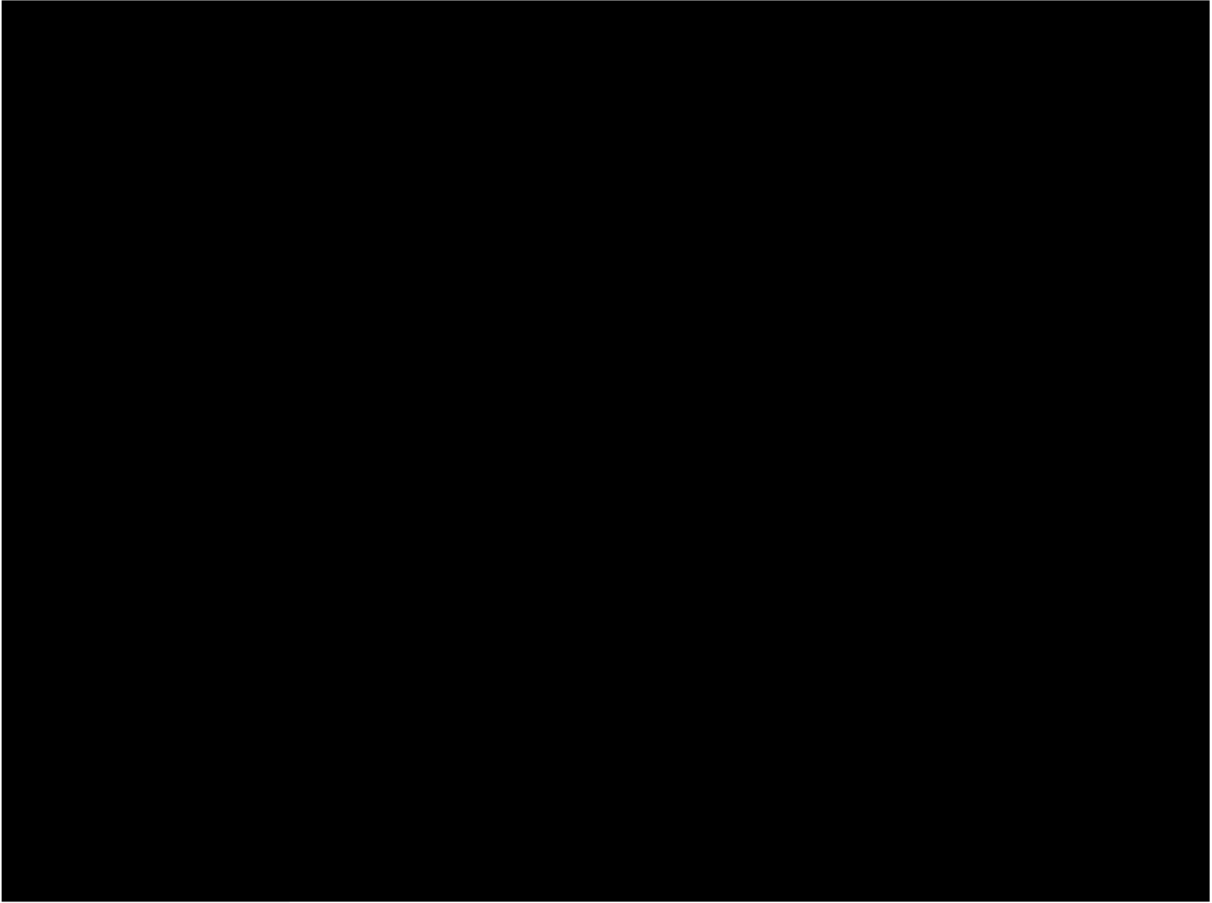
**Exhibit C-1: PROJECT SCHEDULE**

**SoCalGas Schedule**



*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*

**Interconnector Schedule**



*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*

**CalBioGas Buttonwillow LLC**

Attachment C: California Producer Operational Balancing Agreement (Form 6452)

CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT

between  
CalBioGas Buttonwillow LLC  
and  
SOUTHERN CALIFORNIA GAS COMPANY

THIS CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT (“Agreement”) is made and entered into by and between CalBioGas Buttonwillow LLC, a California Limited Liability Company, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this 26<sup>th</sup> day of February 2019. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

**RECITALS**

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under section 1 (c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, the Parties desire to provide for the delivery to, and receipt of, natural gas by the SoCalGas system as set forth in this Agreement and the California Producer Interconnection Agreement; and

WHEREAS, Interconnector and/or SoCalGas have entered, or may enter, into one or more agreements with third party Service Requesters (hereinafter referred to as “Service Requester(s)”) for the transportation of Gas to the delivery point Interconnection Point(s) or from the receipt point Interconnection Point(s) on their respective systems as shown in Exhibit 1 (said agreements hereinafter referred to as “Service Requester Agreements”); and

WHEREAS, from time to time, the quantities of Gas confirmed and scheduled by the Parties to be delivered to, or received at, the Interconnection Point (said quantities hereinafter referred to as the “Scheduled Quantities”) may be greater or less than the quantities of Gas which are actually delivered at the Interconnection Point, resulting in over- or under-deliveries relative to Scheduled Quantities; and

WHEREAS, the Parties desire to implement this Agreement in order to facilitate more efficient operations, accounting, and systems management at the Interconnection Point and on the SoCalGas system, and to provide for certain terms and conditions under which Gas will be

delivered by Interconnector and accepted by SoCalGas, for the account of Service Requester(s) and/or their designees at the Interconnection Point.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Parties agree as follows:

## **SECTION I** **SCOPE OF AGREEMENT**

1.1 Scope – This Agreement sets forth the terms and conditions governing the treatment of Operational Imbalances at the Interconnection Point between the pipeline facilities that have been constructed or will be constructed at such Interconnection Point by SoCalGas and Interconnector for all Gas delivered by Interconnector to SoCalGas for the account of itself or its affiliates or third parties at the Interconnection Point as set forth below and incorporating herein the provisions of the Recitals above. The Parties have or will have executed the California Producer Interconnection Agreement, and its execution and performance is a condition precedent to the obligations herein. No action or inaction of SoCalGas will or shall relieve Interconnector of this obligation.

1.2 Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in the California Producer Interconnection Agreement, is effective as of the date first written above and shall remain in effect for a primary term of twenty (20) years from the date Gas first flows through the Interconnection Point (the “Commencement Date”), and year to year thereafter.

1.2.1 Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement.

1.2.2 SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector, or in the event of a material default by Interconnector, upon sixty (60) calendar days following Interconnector’s receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

1.2.3 In the event the California Producer Interconnection Agreement has not been fully executed by February 26, 2019, or any pipeline system construction that is necessary to begin Gas deliveries or

receipts at the Interconnection Point is not completed on or before [REDACTED], or Gas flows substantially equal to the minimum Interconnection Capacity volume have not commenced within 365 days of completion of the interconnection, SoCalGas may terminate this Agreement with sixty (60) calendar days prior written notice.

1.3 Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

- 1.3.1 “Interconnector’s Facilities” shall mean those Gas pipeline facilities as defined in the California Producer Interconnection Agreement.
- 1.3.2 “California Producer Interconnection Agreement” shall mean an agreement executed between the Parties that provides the terms and conditions governing the operations at the Interconnection Point between Interconnector’s Facilities and SoCalGas’ Facilities.
- 1.3.3 “Gas” shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas’ tariffs, rules and other applicable regulations.
- 1.3.4 “Interconnect Capacity” shall be as defined in the California Producer Interconnection Agreement.
- 1.3.5 “Interconnection Point” shall mean that point where SoCalGas’ Facilities and Interconnector’s Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as described in the California Producer Interconnection Agreement. The location of the Interconnection Point is described in Exhibit 3.
- 1.3.6 “SoCalGas’ Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point as defined in the California Producer Interconnection Agreement, for receipt into SoCalGas’ system in the State of California pursuant to this Agreement. SoCalGas’ Facilities shall be owned and operated by SoCalGas and are generally set forth in Exhibit 2.
- 1.3.7 “Operational Imbalance” shall mean actual physical deliveries of Gas less Gas quantities that are scheduled to be delivered. Therefore, Operational Imbalance shall be positive for over-deliveries, i.e., deliveries greater than scheduled deliveries.

Operational Imbalance shall be negative for under-deliveries, i.e., deliveries less than Scheduled Quantities.

1.3.8 “OFO Day” shall mean any Gas flow day for which SoCalGas calls an OFO as described in Rule 30.

1.3.9 “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate California Producer Operational Balancing Agreements or another agreement governing access to SoCalGas' system.

#### 1.4 Regulatory Jurisdiction

1.4.1 Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

1.4.2 FERC Jurisdiction - This Agreement is entered into by the Parties with the understanding that the balancing activities provided for hereunder will not subject any non-jurisdictional entity to regulation by the FERC as a “natural gas company” under the provisions of the Natural Gas Act. If, at any time, it is determined by FERC that such balancing activities do result in such regulation, then either Party may immediately terminate this Agreement by providing written notice to the other Party, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

1.4.3 CPUC Jurisdiction – If the CPUC or any other regulatory body, at any time, shall assert that Interconnector as a result of delivery of



Gas hereunder, is a public utility or subject to regulation as such or that such regulatory body may prevent SoCalGas from complying with this Agreement in any respect, then within thirty (30) calendar days of such assertion either Party may, upon written notice to the other Party, terminate this Agreement effective thirty (30) calendar days after such written notice, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

## **SECTION II** **SCHEDULING**

2.1 Nominations, Confirmations and Scheduling - Prior to the date and time of flow at the Interconnection Point, the Parties shall nominate, confirm and schedule volumes of Gas which will be delivered or received at the Interconnection Point. Such nominations and confirmations between the Parties shall be made electronically or in writing, unless otherwise mutually agreed to by the Parties. Such nominations, confirmations and scheduling by the Interconnector will be in compliance with the North American Energy Standards Board (“NAESB”) standards and SoCalGas protocols. If Interconnectors’ Gas is delivered through a Split Meter, then one of the California Producers delivering Gas through that Split Meter shall be designated as the Interconnection Point operator who shall provide SoCalGas, in writing, with the Split-Meter allocation for that particular Split Meter within seven (7) calendar days after each non-OFO Day and within one (1) business day after each OFO Day. If the Split-Meter allocation is not provided by the Interconnection Point operator by the close of business (5:00 P.M. Pacific Clock Time) on the applicable day, then the last Split-Meter allocation provided by the Interconnection Point operator shall be used.

2.2 Operational Imbalance and Cash-Out – Interconnector shall to the extent feasible make deliveries of Gas at the Interconnection Point at substantially uniform rates of flow during a particular flow day. Any Operational Imbalance outside of the Tolerance Band (as defined in Subsection 2.2.1) created will be the responsibility of the Interconnector to eliminate pursuant to this Agreement. For Gas accounting purposes, all daily Scheduled Quantities as scheduled for flow day shall be deemed to be delivered regardless of the actual volume of Gas delivered. Any Operational Imbalance outside of the Tolerance Band shall be eliminated as soon as practicable, using the same Interconnection Point, by mutually agreeable arrangements between Interconnector and SoCalGas.

2.2.1 Non-OFO Days - If, at any Interconnection Point, the cumulative Operational Imbalance is outside the tolerance band of plus or minus ten percent ( $\pm 10\%$ ) of seven (7) days of Interconnect Capacity expressed in decatherms ( [REDACTED] (“Tolerance Band”), the following flow day shall begin an Operational Imbalance payback period

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(hereinafter “Payback Period”) not to exceed fourteen (14) calendar days. The 14-day Payback Period for an Operational Imbalance resulting from a Split Meter shall begin on the flow day after the date the Operational Imbalance allocation is finalized by SoCalGas. An Operational Imbalance shall be deemed to be finalized when the Operational Imbalance is posted by SoCalGas on its Electronic Bulletin Board (“EBB”) and designated as such. The Payback Period will be used to bring the cumulative Operational Imbalance that occurred before and during the Payback Period within the Tolerance Band. During the 14-day Payback Period, the Interconnector may also trade any Operational Imbalances, accruing to or caused by Interconnector, with other Interconnector(s) with an effective California Producer Operational Balancing Agreement (“Trading Partner”). A trade will not be confirmed by SoCalGas if the trade would cause the Trading Partner’s Operational Imbalance to go outside its Tolerance Band. The Interconnector may trade Operational Imbalance quantities up to a maximum of its cumulative Operational Imbalance including quantities outside of its own Tolerance Band and those quantities within its own Tolerance Band. SoCalGas will verify each such trade on the next business day and make appropriate quantity adjustments to the associated accounts on that day. When the cumulative Operational Imbalance is no longer outside the Tolerance Band, the Payback Period will cease. If at the end of the Payback Period any positive Operational Imbalance (over-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by SoCalGas to Interconnector at the rate set forth in Schedule No. G-CPS. Under this Agreement, SoCalGas has no interest in or claim to any environmental attributes, including, but not limited to California Air Resources Board Low Carbon Fuel Standard credits or Environmental Protection Agency Renewable Fuel Standard Renewable Identification Numbers, associated with the cash-out quantity. If at the end of the Payback Period any negative Operational Imbalance (under-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by Interconnector to SoCalGas at the rate set forth in Schedule No. G-CPS. The Parties may mutually agree to waive the balancing provisions of this Agreement and to permit an Operational Imbalance to arise, in which case such imbalance shall be reduced to, or below, a specified Dth level as soon as practicable according to a mutually agreed upon schedule.

2.2.2 Split Metering – Financial responsibilities for any resulting imbalance cash-out payments, including any cash-out payments for imbalances on OFO Days, and credit requirements shall belong individually to each California Producer (as described in its own California Producer Operational Balancing Agreement or another

agreement governing access to SoCalGas' system) using the Split Metering arrangement.

2.2.3 OFO Days – During OFO Days, the Interconnector shall be required to balance in accordance with SoCalGas' Rule 30 and be subject to the charges specified therein. The requirement to balance on the OFO Day shall be applied at all times, including any defined Payback Period. Operational Imbalance quantities during an OFO Day that are outside the appropriate OFO Day tolerance level will be considered in the calculation of the cumulative Operational Imbalance for non-OFO Days. Operational Imbalances cashed out pursuant to Rule 30 will be removed from the Interconnector's Operational Imbalance and the information will be promptly communicated to the Interconnector. For Split Meters, the allocation of Gas deliveries on OFO Days shall be in accordance with Section 2.1. The financial responsibility for any Split Meter cash-outs for OFO Days shall be in accordance with Section 2.2.2.

2.3 Measurement Correction - Operational Imbalances that may arise from time to time as the result of a measurement correction for a prior period shall be resolved as follows: (i) by adding or subtracting the measurement correction to the Interconnector's then existing cumulative Operational Imbalance, or (ii) on a "cash-out" basis, or (iii) by some other mutually agreed to method. In the event the Parties cannot agree within thirty (30) calendar days after the occurrence of such Operational Imbalance as to the method to be used for the resolution of the Operational Imbalance, the "cash-out" basis shall be utilized. The cash-out rate will be equal to the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by Natural Gas Intelligence ("NGI") (or its legal successor) for each day of that particular prior period. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. If, for any reason, NGI (or its legal successor) ceases to be available for a particular imbalance period, the cash-out rate will be based on another generally accepted available publication mutually agreed to in writing by the Parties.

## 2.4. Balancing

2.4.1 Estimated operating quantities flowing at the Interconnection Point shall be used during any current period to determine the estimated Operational Imbalance at such Interconnection Point, with physical flow and/or scheduling adjustments to be made during that current period to keep the Operational Imbalance within the Tolerance Band. Interconnector and SoCalGas shall cooperate in order to minimize the daily over- and under-deliveries. In this regard, Interconnector's and SoCalGas' Gas control and/or scheduling personnel shall be in contact, to the extent necessary, each day in order to balance daily delivered quantities of Gas with Scheduled Quantities of Gas. For the purpose of this Agreement, delivery or

receipt of any Gas to resolve an Operational Imbalance is not subject to transportation charges by either Party.

- 2.4.2 The actual measured quantity of Gas at the Interconnection Point each day shall be determined and communicated by SoCalGas on its EBB. The actual measured quantity shall be determined pursuant to the applicable provisions of SoCalGas' measurement procedures and standard methodologies consistent with standard industry practices. To the extent that the actual measured quantity of Gas differs from the estimated operating quantity of Gas at the Interconnection Point, at the beginning of each month SoCalGas will calculate the difference (actual minus estimated) between the two quantities for the previous month ("True-up"). SoCalGas will add the True-up to the cumulative Operational Imbalance up to the Tolerance Band. Any True-up quantities falling outside the Tolerance Band will be subject to the cash-out rate set forth in Schedule No. G-CPS. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas.
- 2.4.3 On, or about, the 9<sup>th</sup> business day of each calendar month, information showing the quantity of Gas scheduled and delivered at the Interconnection Point during the previous month, including any quantity of Gas traded pursuant to Section 2.2.1, shall be available in SoCalGas' EBB. The information on the ending cumulative imbalance quantity shall also be provided. The Operational Imbalances shall be deemed to be agreed to unless either Party notifies the other Party within seven (7) calendar days that it believes there is an error. At a later date during the month an invoice shall be rendered showing any cash-out charges or other charges and credits, along with supporting price and volume data and detailed cash-out price calculations to enable Interconnector or third-party verification. Billing and payment shall be consistent with SoCalGas' Tariff Rule 12.
- 2.4.4 All imbalances shall be recorded on a Decatherm basis for accounting purposes.
- 2.4.5 If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service, if in the Utility's opinion receipt of such gas would jeopardize other operations, until such time appropriate actions have been taken to ensure compliance with this provision.

2.5 Disputed Calculations - All reasonable efforts shall be made by the Parties to resolve any disputed computations. Either Party may pursue resolution of a dispute as to computations or imbalances owed hereunder in accordance with the provisions of this Agreement; however, unless the Parties mutually agree otherwise, delivery of the entire imbalance due, including any disputed imbalance, shall be made to the respective Party notwithstanding such dispute resolution. Delivery of the disputed imbalance(s) shall not be deemed a waiver of any rights to recoup any imbalance amount in dispute.

### **SECTION III** **DEFAULT**

3.1 Waiver - A waiver by either Party of any one or more defaults by the other Party hereunder shall not operate as a waiver of any future default or defaults, whether of like or different character. Furthermore, no consent or waiver, expressed or implied, by any Party of any breach or default by the other Party in the performance of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance of any other obligation of the other Party. Failure on the part of any Party to complain of any act or failure to act by the other Party or to declare the other Party in default, regardless of how long such failure continues, shall not constitute a waiver by such Party of any of its rights hereunder.

3.2 Regulatory Impairment – This Agreement shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction. Notwithstanding the other provisions of this Agreement, if at any time during the term hereof, any governmental authority having jurisdiction: (a) requires changes or modifications to the terms of this Agreement that are unacceptable to either Party; or (b) takes any action whereby either Party’s delivery, receipt, and/or use of Gas hereunder shall be proscribed or subjected to terms, conditions, regulations, restraints, or limits that in the reasonable judgment of a Party prevents that Party from acting in a commercially reasonable manner to fulfill the terms of this Agreement, then such Party shall have the unilateral right to terminate this Agreement at any time upon thirty (30) calendar days written notice to the other Party, without further performance due or liability hereunder, except as to redelivery of any outstanding Gas imbalances. Nothing herein shall prevent the Parties through mutual agreement from modifying this Agreement in lieu of termination.

3.3 Sole Remedy - Each Party agrees that its sole remedy for nonperformance by the other Party or other default by the other Party in the performance of its obligations under this Agreement shall be as specified in this Agreement. Both Parties agree to use commercially reasonable efforts and actions to correct nonperformance on their respective systems in a timely manner.

3.4 Reconciliation - Upon the termination of this Agreement, the Parties agree to reconcile and eliminate any remaining Operational Imbalance pursuant to the terms and conditions of this Agreement within thirty (30) calendar days of termination. If the negative imbalance (i.e., under-deliveries) is not resolved within such thirty (30) calendar days, any

remaining imbalance shall be reduced to zero (0) by cashing out at the highest High Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. If the positive imbalance (i.e., over-deliveries) is not resolved within such thirty (30) calendar days, any remaining imbalance shall be reduced to zero (0) by cashing out at the lowest Low Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. If, for any reason, NGI (or its legal successor) ceases to be available for this particular Payback Period, the cash-out rate will be based on another generally accepted available publication mutually agreed in writing by the Parties.

#### **SECTION IV** **NOTICES**

Any notice, request, or statement provided pursuant to this Agreement shall be in writing and shall be considered as having been given, if delivered personally, when delivered, or, if either electronically communicated, mailed, sent by express mail, or overnight delivery, or if telecopied to the other Party, then, when received, at the following:

##### **AGREEMENT NOTICES AND OTHER CORRESPONDENCE**

CalBioGas Buttonwillow LLC	Southern California Gas Company
c/o California Bioenergy LLC	404 N Tipton St.
324 S. Santa Fe Street, Suite B	Visalia, CA 93292
Visalia, CA 93292	Attn: Ty Korenwinder
Attn: Neil Black	M.L. SC9393
Telephone: [REDACTED] (Neil)	Telephone: (559) 739-2307
[REDACTED] (Ross Buckenham)	

E-mail:	E-mail:
[REDACTED]	<a href="mailto:tkorenwinder@semprautilities.com">tkorenwinder@semprautilities.com</a>
[REDACTED]	
[REDACTED]	
[REDACTED]	

##### **DISPATCHING AND NOMINATIONS**

CalBioGas Buttonwillow LLC	Southern California Gas Company
c/o California Bioenergy LLC	555 W. Fifth Street
324 S. Santa Fe Street, Suite B	Los Angeles, California 90013-1011
Visalia, CA 93292	Gas Control: (323) 266-5888
Attn: Neil Black, Kyle Tos	Scheduling Fax: (213) 244-8281
Telephone: [REDACTED]	Nominations: (213) 244-3900
[REDACTED]	Attn: Gas Scheduling
	M.L. GT20B5

E-mail:	E-mail:
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[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[Gasscheduling@semprautilities.com](mailto:Gasscheduling@semprautilities.com)

ALLOCATION STATEMENTS

CalBioGas Buttonwillow LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Southern California Gas Company  
555 W. Fifth Street  
Los Angeles, California 90013-1011  
Attn: Scheduling Manager,  
M.L. GT20B5

Telephone: [REDACTED] (Neil)  
[REDACTED] (Ross Buckenham)

Telephone: (213) 244-3812  
Telefax: (213) 244-8281

E-mail:  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

E-mail: [Gasscheduling@semprautilities.com](mailto:Gasscheduling@semprautilities.com)

Changes to the designated contacts, addresses and telefax and telephone numbers specified herein may be changed from time to time by the Party affected after two (2) calendar days written notice.

**SECTION V**  
**INDEMNITY**

5.1 Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

5.2 Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages

**Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023**

or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

5.3 Limitation of Liability - Notwithstanding any other provision hereof, neither Party shall be liable to the other Party for or assessed pursuant to Section VI or otherwise any special, punitive, consequential, incidental, or indirect damages or for lost business or lost profits, whether under tort, breach of contract, strict liability or any other theory, even if the Party has been advised of the possibility of such damages. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement.

## **SECTION VI** **DISPUTE RESOLUTION**

6.1 Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

## **SECTION VII** **ASSIGNMENT**

7.1 Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under one of the following circumstances:

- 7.1.1 When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or
- 7.1.2 When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or



7.1.3 When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

## **SECTION VIII** **MISCELLANEOUS**

8.1 No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) over and above those included within the California Producer Interconnection Agreement or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

8.2 Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

8.3 Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) of the California Producer Interconnection Agreement.

8.4 Choice of Law - As to all matters of construction and interpretation, this Agreement shall be interpreted in accordance with the laws of California, excluding any choice of law or rules, which direct the application of laws of another jurisdiction.

8.5 Entire Agreement - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith (specifically excepting the California Producer Interconnection Agreement, which is not affected by this Agreement) and may not be amended or modified except by written agreement of

the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

8.6 Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2.1, 2.2, 2.3, and so on.

8.7 Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 3, 5 and 8 shall survive.

8.8 Credit

8.8.1 Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

8.8.2 SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

8.8.3 In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

8.8.4 The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume

creditworthiness on behalf of the Interconnector in accordance with the following provisions:

SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the “Guaranty”) from the Guarantor.

The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector’s creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 8.8.5 is not received within fifteen (15) calendar days of SoCalGas’ notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

8.8.5 In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector’s Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average Daily Index – SoCal Border Average as reported by NGI (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

8.9 Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

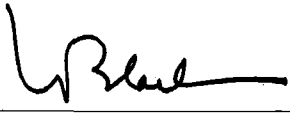
8.10 Attorneys’ Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount

payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

8.11 Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Agreement on the date set forth hereinabove.

CALBIOGAS BUTTONWILLOW LLC

By:  \_\_\_\_\_

Printed Name: Neil Black

Title: President

Date: 02-28-19

SOUTHERN CALIFORNIA GAS  
COMPANY

By:  \_\_\_\_\_

Printed Name: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019

**EXHIBIT 1: SYSTEM MAP**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

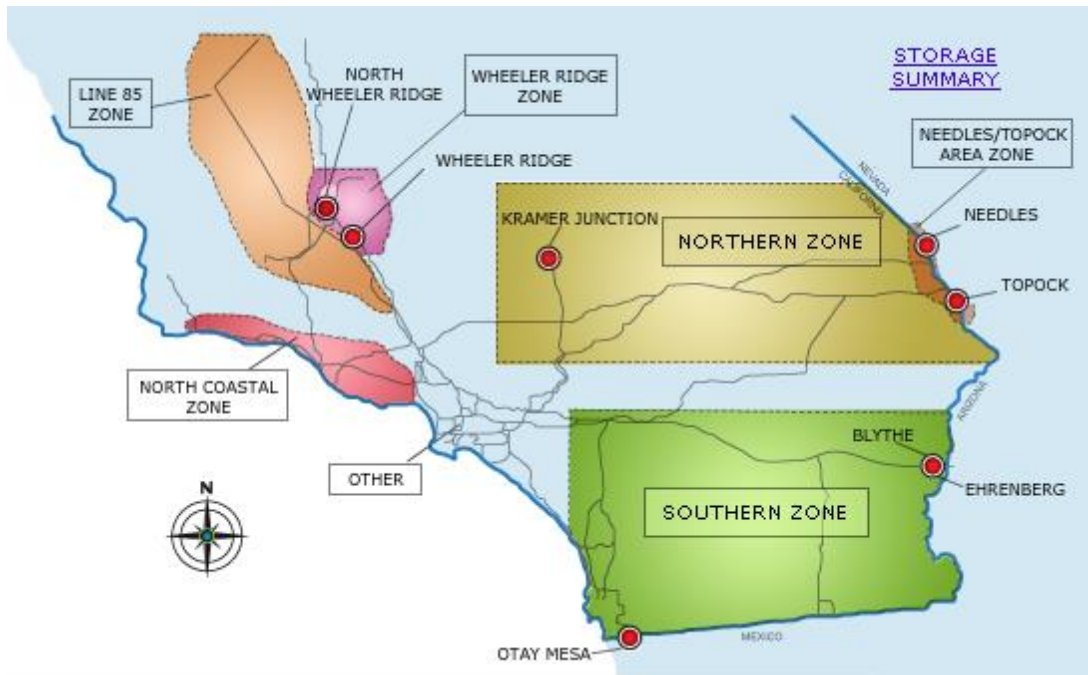
CalBioGas Buttonwillow LLC

and

Southern California Gas Company

Dated: February 26, 2019

The Interconnector Point is currently located within SoCalGas' Schedule G-BTS California Other Zone.



**EXHIBIT 2: SOCALGAS' FACILITIES**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

CalBioGas Buttonwillow LLC

and

Southern California Gas Company

Dated: February 26, 2019

See Exhibit B: Interconnection Point and SoCalGas' Facilities To The California Producer Interconnection Agreement between CalBioGas Buttonwillow LLC and Southern California Gas Company Dated: February 26, 2019.

**EXHIBIT 3: LOCATION**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

CalBioGas Buttonwillow LLC

and

Southern California Gas Company

Dated: February 26, 2019

<u>D-U-N-S® NUMBER</u>	<u>RECEIPT/ DELIVERY DESIGNATION</u>	<u>PROPRIETARY GAS TRANSACTION POINT CODE</u>	<u>DRN NO.</u>	<u>DESCRIPTION</u>
Tax ID:  ██████████	Receipt	N/A	N/A	Interconnection between the facilities of CalBioGas Buttonwillow LLC and Southern California Gas Company located at County: Kern; Section: 32 Township: T28S; Range R24E.

**Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023**



**CalBioGas Buttonwillow LLC**

Attachment D: SB 1383 Dairy Pilot Project Funding Agreement

**Southern California Gas Company**  
**SB 1383 DAIRY PILOT PROJECT FUNDING AGREEMENT**

CHECK HERE IF ADDITIONAL PAGES ARE ATTACHED

1. PROJECT OWNER

CalBioGas Buttonwillow LLC

3. UTILITY

Southern California Gas Company ("SoCalGas")

4. AGREEMENT NUMBER

SB1383-02

5. NAME, TELEPHONE, AND EMAIL ADDRESS FOR QUESTIONS REGARDING THIS AGREEMENT

Jim Lucas

213-244-3276

[jlucas@semprautilities.com](mailto:jlucas@semprautilities.com)

6. BRIEF DESCRIPTION OF PROJECT ("Project")

The CalBioGas Buttonwillow LLC project will initially capture biogas from eight dairies, clean the dairy biogas to pipeline quality and inject the renewable natural gas into SoCalGas' pipeline system. The eight dairies are: West Star North Dairy, Goyenette Dairy, Maya Dairy, Oasis Holsteins Dairy, Skyview Dairy, Southern Cross Dairy, Tjaarda Dairy, and Whiteside Dairy.

7. AGREEMENT OUTLINE (*Include reason for Agreement and details*)

SB 1383 requires the California Public Utilities Commission (CPUC), in consultation with the California Air Resources Board (ARB) and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys, this project being one of them.

8. PAYMENT TERMS (*More than one may apply*).

See Schedule C

9. PROJECTED EXPENDITURES  
FOR REIMBURSEMENT  
(Lane 2 of Figure 1)

DESCRIPTION

ESTIMATED COST

Biogas Pre-Treatment Facilities	Pipeline facilities to condition, compress and/or meter the biogas at each dairy	██████████
Biogas Collection Lines	Pipeline facilities to move biogas from each dairy to the central biogas conditioning/upgrading facility	██████████

AGREEMENT TOTAL  
(Not to Exceed) ██████████

**Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023**

**Southern California Gas Company  
SB 1383 DAIRY PILOT PROJECT FUNDING AGREEMENT**

**SB 1383 DAIRY PILOT AGREEMENT  
SIGNATURE PAGE**

AGREEMENT NUMBER
SB1383-02

1. This Agreement is entered into between the Utility and the Project Owner named below:

UTILITY'S NAME  
**Southern California Gas Company ("SoCalGas")**

PROJECT OWNER'S NAME  
**CalBioGas Buttonwillow LLC**

2. This Agreement is effective upon execution by both parties and shall remain in effect for a primary term of twenty (20) years from the Commencement Date (as defined in the California Producer Interconnection Agreement for SB 1383 Dairy Pilot Project between the parties (the "CPIA")).

3. The maximum amount of this Agreement is [REDACTED]

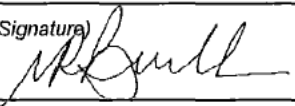
4. The parties agree to comply with the terms and conditions of the following schedules and exhibits, which are by this reference made a part of the Agreement:

Schedule A – Project Information	Page 3
Schedule B – Terms and Conditions	Pages 4-10
Schedule C – Payment Provisions and Records Retention	Pages 11 to 12
Schedule D – Project Owner – Demonstration of Project Readiness	Pages 13 to 14
Schedule E – Project Owner Safety Action Plan	Pages 15 to 184
Exhibit 1 - Solicitation for SB 1383 Dairy Pilot Projects	Pages 185 to 220
Exhibit 2 – Confidentiality Agreement	Pages 221 to 225

**IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.**

**PROJECT OWNER**

PROJECT OWNER'S NAME (Organization's Name)  
**CalBioGas Buttonwillow LLC**

BY (Authorized Signature)  


DATE SIGNED (Do not type)  
**3/1/2019**

PRINTED NAME AND TITLE OF PERSON SIGNING: **N. Ross Buckenham CEO**

ADDRESS  
[REDACTED]

**SOCALGAS**

UTILITY NAME  
**SoCalGas**

BY (Authorized Signature)  


DATE SIGNED (Do not type)  
**March 4, 2019**

PRINTED NAME AND TITLE OF PERSON SIGNING: **Sharon Tomkins, Vice President - Customer Solutions and Strategy**

ADDRESS  
**555 W Fifth St, Los Angeles CA 90013**

**SCHEDULE A**

**PROJECT INFORMATION**

- 1. SoCalGas shall provide SB 1383 Dairy Pilot Project incentives to the Project Owner as stated for the Project described herein
- 2. The Managers for this Agreement are:

<b>FOR SOCALGAS:</b>	<b>FOR PROJECT OWNER:</b>
Name: Jim Lucas Title: Market Development Manager Address: 555 W Fifth St, ML 19A4 City/Zip: Los Angeles CA, 90013 Phone: 213-244-3276 Email Address: <a href="mailto:jlucas@semprautilities.com">jlucas@semprautilities.com</a>	Name: N. Ross Buckenham Title: CEO Address: [REDACTED] City/Zip: [REDACTED] Phone: [REDACTED] Email Address: [REDACTED]
	Name: Neil Black Title: President Address: 324 S. Sante Fe, Suite B City/Zip: Visalia, CA 93292 Phone: [REDACTED] Email Address: [REDACTED]

- 3. The **Project and Administrative Contacts** for this Agreement are:

<b>FOR SOCALGAS:</b>	<b>FOR PROJECT OWNER:</b>
Name: Kelly Murillo Title: Project Manager Address: 555 W 5 <sup>th</sup> St, ML 19A4 City/Zip: Los Angeles, CA 90013 Phone: (213) 244-3786 Email Address: <a href="mailto:kmurillo@semprautilities.com">kmurillo@semprautilities.com</a>	Name: Jennifer Swartz Title: Controller and Contracts Manager Address: [REDACTED] City/Zip: [REDACTED] Phone: [REDACTED] Email Address: [REDACTED]

**SCHEDULE B**  
**TERMS AND CONDITIONS**

**1. General Description of Agreement**

**a. Background**

Senate Bill (SB) 1383 was signed by Governor Brown on September 19, 2016. One of the requirements of SB 1383 requires the California Public Utilities Commission (CPUC), in consultation with the California Air Resources Board (ARB) and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. SB 1383 also states that the Utilities may recover in rates the reasonable cost of pipeline infrastructure developed pursuant to the Pilot Projects.

On June 15, 2017, the CPUC issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework which directs the Utilities to implement the dairy biomethane pilot projects and allow for rate recovery of reasonable infrastructure costs pursuant to SB 1383.

On December 18, 2017, the CPUC issued Decision (D.)17-12-004 which establishes the necessary framework to direct Utilities to implement not less than five dairy biomethane pilot projects. Pursuant to D.17-12-004, the Selection Committee, made up of CPUC, ARB, and CDFA, issued a solicitation for the pilot projects.

On December 3, 2018, the Selection Committee issued a press release and announced funding for six pilot projects in the San Joaquin and Sacramento Valleys designed to demonstrate the collection of biomethane from dairy digesters and its injection into natural gas pipelines.

**b. Binding Agreement**

Subject to Subsection c. below, this Agreement is a legally binding contract. The parties named in this Agreement are bound by the terms set forth herein and otherwise incorporated herein by reference, and the parties are also bound by the legal and regulatory requirements set forth in D.17-12-004 and the Solicitation for SB 1383 Dairy Pilot Projects, which this Agreement is intended, in part, to effectuate.

**c. Regulatory Approval**

This Agreement is subject to the CPUC's regulatory process and must conform to all CPUC requirements, including but not limited to the requirements of D.17-12-004 and the Solicitation for SB 1383 Dairy Pilot Projects. In order to be binding upon SoCalGas, this Agreement must be filed and approved by the CPUC. This agreement at all times shall be subject to such modifications to this Agreement; the underlying program or Decision; or any related program, Decision or agreement as the CPUC may direct from time to time in the exercise of its jurisdiction.

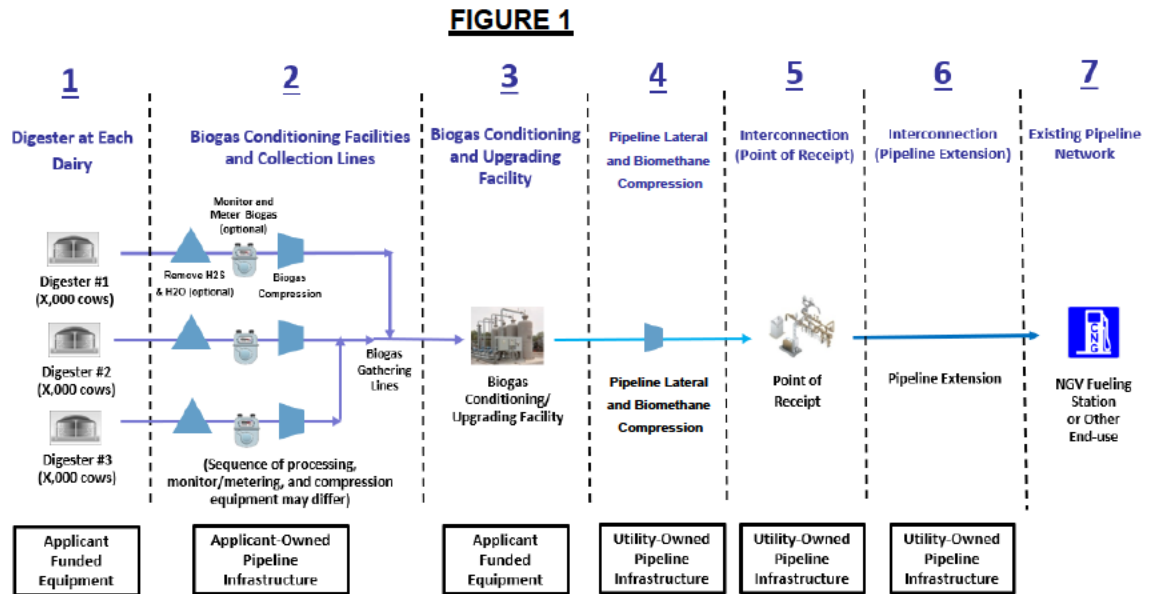
## 2. Representations

- a. Each person executing this Agreement for the respective party expressly represents and warrants that he or she is authorized to act as signatory for that party in the execution of this Agreement.
- b. Each party represents that: (a) it has the full power and authority to execute and deliver this Agreement and to perform its terms and conditions; (b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate entities; and (c) this Agreement constitutes such party's legal, valid and binding obligation, enforceable against such party in accordance with its terms.
- c. Each party shall (a) exercise all reasonable care, diligence, and good faith in the performance of its duties pursuant to this Agreement; and (b) carry out its duties in accordance with applicable federal, state, and local laws, regulations, tariffs, and ordinances and recognized professional standards in accordance with the requirements of this Agreement.

## 3. General Conditions and Requirements

- a. SoCalGas shall reimburse Project Owner only for allowable expenses for project design, construction or implementation activities in accordance with the: 1) D.17-12-004; 2) Solicitation for SB 1383 Dairy Pilot Projects and 3) Project Owner Application submitted on or before June 25, 2018 for the Project and only where all requirements set forth in this Agreement have been met, including but not limited to the following obligations of Project Owner:
  - i. Project Owner must adhere to ALL project conditions and requirements as stated in: 1) D.17-12-004; 2) the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1); and 3) Project Owner Application submitted on or before June 25, 2018 for the Project, as well as any other regulatory or other requirements set forth by the CPUC.
  - ii. Project Owner must ensure all project activities in Lanes 1-3 in Figure 1 below, including contractor/consultant activities, are compliant with applicable federal, state, and local laws, regulations, tariffs, and ordinances. Moreover, Project Owner is responsible for obtaining and maintaining all necessary permits, licenses, agreements, and approvals for the construction, operation and maintenance of facilities in Lanes 1-3 in Figure 1 below.
  - iii. Project Owner is responsible for the upfront costs associated with the facilities in Lane 2 in Figure 1 below. Project Owner may apply to SoCalGas for reimbursement of the allowable cost of such facilities to the extent consistent with D.17-02-004 and the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1), as well as any other regulatory requirements; provided, however, SoCalGas shall only be obligated to reimburse the Project Owner an amount not to exceed the lesser of (i) the amount that SoCalGas is authorized to recover from utility ratepayers or (ii) the Agreement Total.
  - iv. Project Owner must perform, or cause to be performed, all operation and maintenance costs for the facilities in Lanes 1-3 in Figure 1 below.
  - v. SoCalGas will manage all project activities in Lanes 4-6 in Figure 1 below and own/operate/fund the facilities for up to 20 years. The contractual terms for the facilities in Lanes 4-6 in Figure 1 below are contained in the CPIA.

1. Project Owner, at their cost, shall be responsible for all upfront and on-going costs to establish service and provide electrical power to SoCalGas owned equipment in Lanes 4-6 in Figure 1 below. The detailed scope of work for the electrical power is contained in the CPIA.



- vi. Project Owner must submit timely and accurate invoices and reports for Lane 2 during the project term with sufficient detail to distinguish costs for Lane 2 from the other Lanes in Figure 1 above.
- vii. Project Owner must maintain clear and consistent communication regarding project progress status throughout the project, particularly if problems or issues arise resulting in project delays. Upon discovery of problems and/or delays, Project Owner must notify SoCalGas within 3 business days of such problems and/or delays.
- viii. Project Owner must complete the Project on or before the Target Date (as defined below) for the Project. The Target Date is the date by which the Project must be connected to the SoCalGas pipeline and flowing renewable natural gas; such Target Date shall be [December 2, 2020] which is two years after December 3, 2018, the date on which Project Owner received notification by the Selection Committee of an awarded project. If the Project is not connected to the SoCalGas pipeline and flowing renewable natural gas on or before the Target Date, Project Owner must submit an extension request to the Selection Committee delineating project steps and expected online date.

#### 4. Safety Action Plan

Per the Solicitation for SB 1383 Dairy Pilot Projects, in Section 3 (Pilot Project Program Eligibility Requirements), Subpart 2, the Selection Committee states the following pertaining to safety for the pilot projects:

Compliance with the CPUC Strategic Directive on Safety: Under the CPUC Strategic Directive on Safety, the CPUC secures health and safety with a goal of achieving zero accidents and injuries. Within its jurisdictional authority, the CPUC focuses on safety policy, risk

management, safety assurance, and safety promotion. The CPUC adopts leading safety policies and standards to maximize safety in a cost-efficient manner above and beyond compliance. The CPUC continually identifies, assesses, mitigates, or eliminates the safety risk faced or posed. The CPUC assures that entities comply with the law and have sufficient resources to ensure the safety of the public, workers, and the environment. The CPUC supports efforts to assure that the public, workers and customers, are able to make informed choices and know how to respond to unsafe situations. The CPUC is committed to promoting and continuously improving safety culture.

No funding can be awarded for pipeline construction that carries hydrogen sulfide (H<sub>2</sub>S) at concentration levels detrimental to human health and safety. All projects must submit a safety action plan with initial processes and procedures drafted that indicate potential unsafe conditions and preliminary processes and procedures delineated to respond to each.

Project Owner must complete a Safety Action Plan and include such Safety Action Plan as Attachment E hereto. Failure to complete an accurate and appropriate Safety Action Plan in accordance with CPUC requirements will result in this Agreement not being eligible for submission to or approval by the CPUC.

## **5. Reporting**

Project Owner shall adhere to the reporting requirements as stated in Section 7.3 and Attachment B of the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1). The start date for the initial quarterly report will commence on the date the Project meets the 30 out of 40-day flow requirement as further described in Schedule C hereto. This will be considered day one of the initial reporting period. Project Owner shall submit all quarterly reports within 60 calendar days of the last day of the quarterly reporting period.

## **6. Project Readiness Demonstration**

Prior to SoCalGas incurring significant costs by the procurement of materials and constructing the facilities in Lanes 4-6 in Figure 1 above, Project Owner must demonstrate project readiness by providing proper documentation to show compliance with each of the requirements set forth in Schedule D.

## **7. Indemnification**

- a. Project Owner shall indemnify, defend and hold harmless SoCalGas, its officers, directors, agents, and employees, from and against all claims, demands, losses, damages, costs, expenses, and legal liability connected with or resulting from injury to or death of persons, including, but not limited to, employees of SoCalGas, Project Owner, any project contractor or subcontractor; injury to property of SoCalGas, Project Owner, or a third party, or to natural resources, or violation of any local, state or federal law or regulation, including, but not limited to, environmental laws or regulations, or strict liability imposed by any law or regulation; arising out of, related to, or in any way connected with Project Owner's performance of this Agreement, however caused, regardless of any strict liability or negligence of SoCalGas, whether active or passive, excepting only such claims, demands, losses, damages, costs, expenses, liability or violation



of law or regulation as may be caused by the active gross negligence or willful misconduct of SoCalGas, its officers, agents, or employees.

- b. Project Owner acknowledges that any claims, demands, losses, damages, costs, expenses, and legal liability that arise out of, result from, or are in any way connected with the release or spill of any legally designated hazardous material or waste as a result of the work performed for purposes of this Agreement are expressly within the scope of this indemnity, and that the costs, expenses, and legal liability for environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work, penalties, and fines arising from the violation of any local, state, or federal law or regulation, attorney's fees, disbursements, and other response costs are expressly within the scope of this indemnity.
- c. Project Owner shall, on SoCalGas' request, defend any action, claim or suit asserting a claim covered by this indemnity. Project Owner shall pay all costs that may be incurred by SoCalGas in enforcing this indemnity, including reasonable attorney's fees.

## 8. Notice

All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

Interconnector:

Mailing Address: CalBioGas Buttonwillow LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Email Address: [REDACTED]

SoCalGas:

Mailing Address: Southern California Gas Company  
555 W Fifth St, ML 19A4  
Los Angeles, California 90013  
Attn: Jim Lucas

Email Address: [jucas@semprautilities.com](mailto:jucas@semprautilities.com), [marketdevelopment@semprautilities.com](mailto:marketdevelopment@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

## **9. Compliance with Laws and Regulations**

- a. During the performance of any work on the Project, Project Owner and its contractors and subcontractors, agents and employees shall fully comply with all applicable state and federal laws and with any and all applicable bylaws, rules, regulations and orders made or promulgated by any government, government agency or department, municipality, board, commission or other regulatory body; and shall provide all certificates for compliance therewith as may be required by such applicable laws, bylaws, rules, regulations, orders, stipulations or plans.
- b. Project Owner shall require any contractor or subcontractor performing work on the Project may be contracted to comply with provisions of this paragraph, and agrees to save and hold SoCalGas harmless from any and all penalties, actions, causes of action, damages, claims and demands whatsoever arising out of or occasioned by failure of Project Owner and/or a contractor or a subcontractor to make full and proper compliance with said bylaws, rules, regulations, laws, orders, stipulations or plans.

## **10. Governing Law**

This Agreement shall be deemed to be a contract made under laws of the State of California and for all purposes shall be construed in accordance with the laws of said state.

## **11. Entire Agreement**

This Agreement, the CPIA, the California Producer Interconnect Collectable System Upgrade Agreement, the California Producer Operational Balancing Agreement and the Confidentiality Agreement between the parties (the "Project Agreements") consist of the entire agreement between the parties on the subject matter hereof and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one of more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

## **12. Enforceability**

If any provision of this Agreement, or the Project Agreement, is to any extent held invalid or unenforceable, the remainder of this Agreement, other than those provisions which have been held invalid or unenforceable, shall not be affected and shall continue in full force and effect and shall be enforceable to the fullest extent permitted by law or in equity.

## **13. Force Majeure**

In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice,

so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. In the event of a delay caused by a force majeure event, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

#### **14. Not a Joint Venture**

Unless specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership or joint venture or to impose a trust or partnership duty, obligation, or liability on or with regard to either party. Each party shall be liable individually and severally for its own obligations under this Agreement.

#### **15. Publicity**

Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

## SCHEDULE C

### PAYMENT PROVISIONS AND RECORD RETENTION

#### 1. Invoicing and Payment for Project Owner Owned Pipeline Infrastructure

- A. SoCalGas shall only be obligated to reimburse Project Owner for allowable expenses for project design, construction or implementation activities in accordance with the: 1) D.17-12-004, 2) Solicitation for SB 1383 Dairy Pilot Projects, and 3) Project Owner Application submitted on or before June 25, 2018 for the Project and any other applicable legal or regulatory requirements.
- B. In the event Project Owner has a dispute with respect to reimbursement by SoCalGas of allowable expenses, the Project Owner shall send a Notice of Dispute to SoCalGas within ten (10) calendar days of SoCalGas' denial of reimbursement of the full amount requested by the Project Owner. The Notice of Dispute must identify the name of the pilot project, set forth the basis for the dispute and provide supporting documentation. After sending Notice of Dispute, Project Owner shall continue to perform all of its obligations and responsibilities under this Agreement; in the event that Project Owner does not perform in accordance with this Agreement, SoCalGas shall have the right to suspend its performance under the Agreement and the related Project Agreements, including but not limited to, any payment and reimbursement obligations.
- C. Invoices for Project Owner Owned Infrastructure shall be submitted in accordance with the following milestone payment structure:
- **Milestone Payment 1:** When the Project spends 35% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure, Project Owner may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
  - **Milestone Payment 2:** When the Project project spends 70% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure, Project Owner may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
  - **Milestone Payment 3:** Reimbursement payment up to 15% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure will be provided to Project Owner after meeting the 30 out of 40 days flow requirement for the Pilot Project Capacity (as defined in CPIA) as follows:

Project Owner must produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of SoCalGas' meter. Project Owner must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Project Owner is unable to produce flow because of an interruption of delivery as set forth in SoCalGas Tariff Rule No. 23. Project Owner may elect to restart the 40 day

testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.

Once the 30 out of 40 days flow requirement is met, the Project Owner must provide SoCalGas with detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed 15% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 4:** The final reimbursement payment of up to 15% of the Agreement Total amount for the Project Owner Owned Pipeline Infrastructure will be provided to Project Owner after meeting the forecasted renewable natural gas production volume of nine hundred sixty-one (961) MScfD. Once this requirement is met, the Project Owner must provide detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the Agreement Total amount for Project Owner Owned Pipeline Infrastructure to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s). The final reimbursement payment will be available for 2 years, starting from the date the 30 out of 40 days flow requirement is met.

- D. **Withdrawal:** If Project Owner withdraws from the pilot and SoCalGas has incurred any costs, including reasonable costs related to termination of the Project, related to the Project and/or has made any payments pursuant to any of the Project Agreements, the Project Owner must reimburse SoCalGas for such costs and return any payments received.
- E. **Payment:** SoCalGas shall make payment Net 45 Days after receipt and approval of an undisputed invoice in accordance with the Milestones provided in Section C above. Project Owner shall work with SoCalGas to be set-up as a vendor in SoCalGas' accounts payable system and complete the required paperwork to receive automated clearing house (ACH) payments.
- F. **Record Retention**  
Project Owner shall maintain receipts and records for a minimum of five (5) years from December 3, 2018 and make all receipts and records available for inspection and audit upon the request of the Selection Committee, SoCalGas, or any of their designees. SoCalGas is required to submit reimbursement summaries to the Selection Committee and shall make all receipts reviewable by the Selection Committee available upon request.
- G. **Audits**  
The Selection Committee and/or SoCalGas reserves the right to conduct a Financial Audit and/or Critical Project Review upon reasonable notice at any time during the term of this Agreement.

## SCHEDULE D

### PROJECT OWNER - DEMONSTRATION OF PROJECT READINESS

#### CHECKLIST

<b>COMMERCIAL</b>	
<input type="checkbox"/>	Project Funding Matrix (Executed)
	<ul style="list-style-type: none"> <li>Provided actual executed agreements with all investors</li> <li>Provide actual executed loan agreements from all lenders</li> <li>Updated Project Budget, including incorporation of the EPC definitive cost estimate, is within approved funding levels</li> </ul>
<input type="checkbox"/>	Project Materials Supply Agreements Matrix
	<ul style="list-style-type: none"> <li>All feedstock (manure) supply agreements in place with each dairy with sufficient volume to support operations at full capacity</li> <li>All chemical or catalyst supply agreements are in place with sufficient volume to support operations at full capacity</li> </ul>
<input type="checkbox"/>	Project Product Off-take Agreements Matrix
	<ul style="list-style-type: none"> <li>Identify primary partners/clients and projected RNG off-take volumes</li> </ul>
<b>SITE</b>	
<input type="checkbox"/>	Civil Works and Site Plans Stamped by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>Geotechnical evaluations – subsurface conditions accounted for in design and construction cost estimate</li> <li>ALTA (American Land Title Association) Surveys</li> </ul>
<input type="checkbox"/>	Encroachment Permit List/Right of Way Agreements Matrix
	<ul style="list-style-type: none"> <li>Interconnections (utilities, feedstock, product transportation) have been planned and mutually agreed upon by all associated parties (utility suppliers, feedstock providers, biogas to conditioning/sweetening system(s), etc.)</li> <li>Identify which permits have been approved and agreements executed and indicate expected dates of completions for those still pending</li> </ul>
<input type="checkbox"/>	Site lease and/or purchase agreements executed for each location
<b>PROJECT</b>	
<input type="checkbox"/>	Project Execution Plan
<input type="checkbox"/>	Long Lead-time/Critical Equipment Issued Purchase Orders and Down Payments
<input type="checkbox"/>	Operations and Maintenance (O&M) Plan
	<ul style="list-style-type: none"> <li>Overall approach strategy (3<sup>rd</sup> party service provider, self-perform, etc.)</li> <li>Training and Staffing Plan</li> <li>Spare parts plan</li> <li>O&amp;M agreement with service provider(s)</li> </ul>
<b>TECHNOLOGY</b>	
<input type="checkbox"/>	Front End Engineering Design (FEED) Issued by Licensed Professional Engineer

	<ul style="list-style-type: none"> <li>• Process design complete for complete operations at full capacity, including digesters and conditioning/sweetening systems at each dairy, gathering lines, and upgrading plant <ul style="list-style-type: none"> <li>– Process and utility equipment specifications</li> <li>– Process flow diagrams (PFDs) and piping &amp; instrument diagrams (P&amp;IDs)</li> <li>– Mass and energy balance for overall process and each site and system/subsystem</li> <li>– Utility and balance-of-plant support requirements</li> </ul> </li> </ul>
<input type="checkbox"/>	Technical license agreements have been executed and all related fees and royalties are accounted for in capital and operating cost models
<b>ENVIRONMENTAL/REGULATORY</b>	
<input type="checkbox"/>	Project Permit List Matrix (with application status, durations, contacts, costs)
<input type="checkbox"/>	California Environmental Quality Act (CEQA) Determinations Report
	<ul style="list-style-type: none"> <li>• Environmental permit requirements under California Environmental Quality Act (CEQA) and other applicable guidelines and standards as well as local, State and Federal laws are fully identified</li> <li>• Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A of Exhibit 1)</li> </ul>
<input type="checkbox"/>	County Planning Approvals
<input type="checkbox"/>	California Air Resource Board Approvals
<input type="checkbox"/>	California State Water Resources Control Board Approvals
<input type="checkbox"/>	Office of the State Fire Marshal Approvals
<b>CONSTRUCTION</b>	
<input type="checkbox"/>	EPC or Contractor Executed Agreement(s)
	<ul style="list-style-type: none"> <li>• Scope of work</li> <li>• Performance and schedule guarantees</li> <li>• Warranties</li> <li>• Acceptance criteria</li> <li>• Testing criteria</li> <li>• Liquidated damages</li> <li>• Startup/Commissioning</li> </ul>
<input type="checkbox"/>	Baseline Project Schedule































































































































































































































































































































































































*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*

*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*



**SOLICITATION  
FOR  
SB 1383 DAIRY PILOT PROJECTS**

**By  
Selection Committee**

**Thanks to:**

**PACIFIC GAS & ELECTRIC COMPANY**

**SAN DIEGO GAS & ELECTRIC®**

**SOCALGAS®**

**SOUTHWEST GAS CORPORATION**

**For your continued support of these projects.**

**March 7, 2018**

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# CHAPTER 1 – Overview and Protocol

## 1.0 Solicitation Objective

On December 18, 2017, the California Public Utilities Commission (CPUC) issued Decision (D.)17-12-004 which establishes the necessary framework to direct natural gas corporations (“Utility” or “Utilities”) to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system and allow for rate recovery of reasonable infrastructure costs pursuant to Senate Bill (SB) 1383. Participating Utilities are SoCalGas®, Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric® (SDG&E) and Southwest Gas Corporation (Southwest Gas). The objective of this Dairy Pilot Solicitation (Solicitation) is for the Selection Committee to select and award at least five (5) dairy biomethane Pilot Projects that are financially sustainable in the long-term to ensure these investments provide the expected environmental benefits to ratepayers and the State of California.

## 2.0 SB 1383 Background

SB 1383 was signed by Governor Brown on September 19, 2016 and requires the California Air Resources Board (ARB) to approve and begin implementing a comprehensive strategy to reduce emissions of short-lived climate pollutants to achieve a reduction in methane by 40%, hydrofluorocarbon gases by 40%, and anthropogenic black carbon by 50% below 2013 levels by 2030. One of the requirements of SB 1383 requires the CPUC, in consultation with ARB and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system. SB 1383 also states for the purposes of these Pilot Projects Utilities may recover in rates the reasonable cost of Pipeline Infrastructure developed pursuant to the Pilot Projects.

On June 15, 2017, the CPUC issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework which directs the Utilities to implement the dairy biomethane Pilot Projects and allow for rate recovery of reasonable infrastructure costs pursuant to SB 1383. The proposed implementation framework covers four general categories: Pilot Project selection; definition of infrastructure; cost recovery framework; and data gathering. Interested parties were able to comment on the proposed framework consistent with the schedule and procedure described in the Rulemaking and on the scope, the schedule, and other procedural matters.

On December 18, 2017, the CPUC issued Decision D.17-12-004 which establishes the necessary framework to direct Utilities to implement not less than five dairy biomethane Pilot Projects. D.17-12-004 also directs the Utilities to issue a draft Solicitation for the Pilot Projects no later than January 18, 2018. The Selection Committee, made up of CPUC, ARB, and CDFA, controls the terms of the Solicitation and selects the Pilot Projects to move forward to contract with Utilities.



### 3.0 Pilot Project Program Eligibility Requirements

1. The Pilot Projects must utilize biomethane from California dairy operations and result in permanent, annual, and quantifiable Greenhouse Gas (GHG) emission reductions. A dairy operation is defined as an entity that operates a dairy herd, which produces milk, cream, or cheese commercially, and/or whose bulk milk or bulk cream is received or handled by any distributor, manufacturer, or any nonprofit cooperative association of dairy producers.
2. Compliance with the CPUC Strategic Directive on Safety: Under the CPUC Strategic Directive on Safety, the CPUC secures health and safety with a goal of achieving zero accidents and injuries. Within its jurisdictional authority, the CPUC focuses on safety policy, risk management, safety assurance, and safety promotion. The CPUC adopts leading safety policies and standards to maximize safety in a cost efficient manner above and beyond compliance. The CPUC continually identifies, assesses, mitigates, or eliminates the safety risk faced or posed. The CPUC assures that entities comply with the law and have sufficient resources to ensure the safety of the public, workers, and the environment. The CPUC supports efforts to assure that the public, workers and customers, are able to make informed choices and know how to respond to unsafe situations. The CPUC is committed to promoting and continuously improving safety culture.<sup>1</sup>

No funding can be awarded for pipeline construction that carries hydrogen sulfide (H<sub>2</sub>S) at concentration levels detrimental to human health and safety. All projects must submit a safety action plan with initial processes and procedures drafted that indicate potential unsafe conditions and preliminary processes and procedures delineated to respond to each.<sup>2</sup>

3. Existing dairy operations and developers who have a written commitment from a dairy operation are eligible for the Pilot Projects. At least 80% or more dry weight must be manure from dairy livestock.
4. A group of dairy operations can submit one Application to develop centralized dairy digesters, known as a “cluster” or “hub and spoke” project and describe the phased-approached or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The phased-approached cluster project must include a signed lease and feedstock agreement, not just a letter of interest or future addition. The appropriate location of the centralized biogas conditioning/upgrading facility can be determined by participating dairy operations.

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<sup>1</sup>[http://www.cpuc.ca.gov/uploadedFiles/CPUC\\_Public\\_Website/Content/Transparency/Strategic\\_Planning\\_Initiative/Strategic\\_Directives\\_and\\_Governance\\_Policies\\_Revised\\_August%2010,2017.pdf](http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Transparency/Strategic_Planning_Initiative/Strategic_Directives_and_Governance_Policies_Revised_August%2010,2017.pdf)

<sup>2</sup> <https://www.osha.gov/SLTC/hydrogensulfide/hazards.html>

5. To be considered in the selection process, Applicants are required to meet and agree with the following requirements:
  - a. Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A)
  - b. Quantify expected GHG Emissions Reduction
    1. Applicants are required to use the quantification methodology titled “Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Dairy Digester Research and Development Program (DDRDP) Fiscal Year 2017-18” and associated DDRDP GHG Emission Reduction Calculator Tool (ARB GHG Reduction Calculator) developed by ARB. The quantification methodology and tool are available on ARB’s website at <http://www.arb.ca.gov/cqi-quantification>.
  - c. Biomethane produced by the Pilot Project must be used in California
  - d. Report parameters and participate in evaluation (See Section 7.3 and Attachment B)

These requirements allow for compliant operation of facilities under multi-level permitting regimes while ensuring protection of the environment, including reduced methane and criteria pollutant emissions. These terms are non-negotiable.

## 4.0 Dairy Pilot Project Components and Funding

A dairy cluster project consists of various components to move the biogas from each individual dairy to the Utility pipeline. Figure 1<sup>3</sup> illustrates and defines several components of a typical dairy Pilot Project that will be connected to a Utility pipeline.

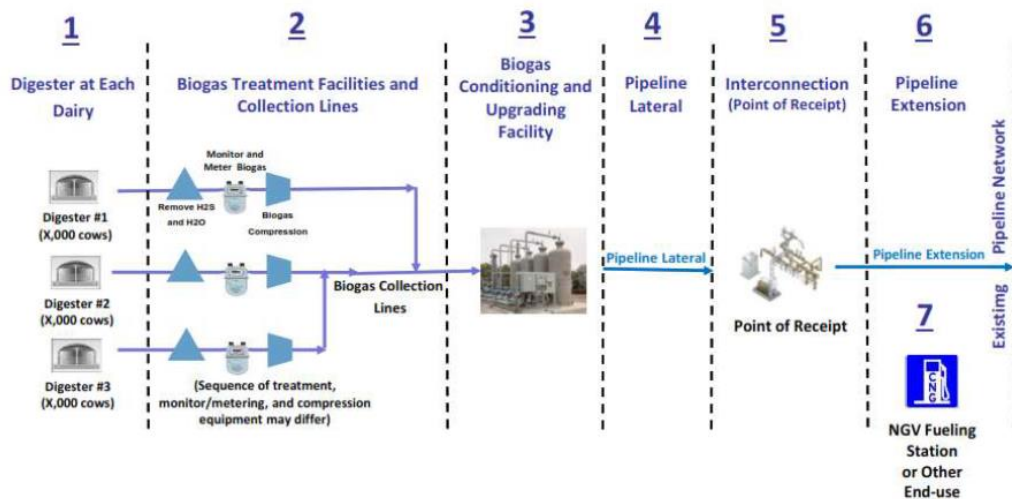


Figure 1: Dairy Biomethane Pilot Primary Components

<sup>3</sup> Figure 1 is from (D.)17-12-004, page 16

For the SB 1383 dairy Pilot Projects, the costs of digesters (Lane 1 of Figure 1), biogas conditioning and upgrading facility (Lane 3 of Figure 1) and NGV fueling station or other end-use (Lane 7 of Figure 1) are **not considered Pipeline Infrastructure** and are **not eligible for funding** from the Utilities.<sup>4</sup>

Biogas from livestock operations that do not directly produce dairy products (“non-dairy”), such as heifer operations, will be allowed to be injected into Pipeline Infrastructure. However, biogas treatment facilities at non-dairy livestock operations and collection lines connecting those non-dairy livestock operations to Pipeline Infrastructure, **are not considered Pipeline Infrastructure**, and **are not eligible for funding** from the Utilities in this Solicitation.

The following Pipeline Infrastructure components **are eligible for funding**:

- a) Biogas collection lines and facilities for treatment of biogas before it enters the collection lines (Lane 2 of Figure 1) – owned and operated by Applicant;
- b) Pipeline lateral and compression that delivers biogas from a biogas conditioning facility to the point of receipt (Lane 4 of Figure 1) – owned and operated by the Utility;
- c) Point of receipt, where the utility receives gas that has been upgraded at a biogas conditioning/upgrading facility (Lane 5 of Figure 1) – owned and operated by the Utility;
- d) Pipeline extension that delivers biogas to the Utility’s existing gas pipeline system (Lane 6 of Figure 1) – owned and operated by the Utility;

If a Pilot Project includes both delivery of biomethane to an onsite electric generator (e.g., combustion turbine, reciprocating internal combustion engine, microturbine or fuel cell) and injection of biomethane into the Utility pipeline, the Pipeline Infrastructure costs that are eligible for funding shall be reduced by the percentage of the biomethane that is delivered to an onsite electric generator, rather than injected into the Utility pipeline. This reimbursement reduction will not apply if the pipeline infrastructure is sized to an appropriate capacity for the amount of biomethane proposed for pipeline injection in the project’s application. This reimbursement reduction will apply if the pipeline infrastructure is sized to include an amount of biomethane that is dedicated for use in an onsite electric generator at the time of the project’s application.

If a Pilot Project obtains feedstock from non-dairy livestock operations, such as heifer operations, and directs biogas from that feedstock into Pipeline Infrastructure that is eligible for funding from the Utilities under Section 4.1 of this Final Solicitation, the Pilot Project is solely responsible for the costs of the biogas treatment facilities and collection lines from those “non-dairy” livestock operations. The Pilot Project is also solely responsible for the incremental cost increase to Pipeline Infrastructure caused by adding “non-dairy” livestock feedstock into Pipeline Infrastructure. An Applicant must include detailed information about this arrangement in the relevant portions of its application such as the general information located in Chapter 1, section 5.5.1 of this Final Solicitation, and the Dairy Waste-to-Biomethane Business Model in

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<sup>4</sup> There are other potential sources of funding for these facilities, such as the CDFR Dairy Digester Grant Program and as stated in (D.)17-12-004, SoCalGas’ biogas conditioning and upgrading services tariff

Chapter 2, section 2.0 of this Final Solicitation.<sup>5</sup> If a Pilot Project decides to add such “non-dairy” livestock feedstock to its project after it is selected as a Pilot Project, the Pilot Project must alert the appropriate Utility and CPUC of that decision and include detailed information about this project addition as requested by the Utility and CPUC. The Applicant (or the Pilot Project) must itemize the incremental cost added to Pipeline Infrastructure by injecting the “non-dairy” livestock biogas into Pipeline Infrastructure for purposes of ensuring appropriate cost reimbursement.

#### **4.1 Applicant Ownership of Pipeline Infrastructure**

Applicant shall own, operate, and maintain in accordance with applicable safety regulations, the biogas collection lines and any biogas treatment or conditioning equipment (Lane 2) to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines. Applicant owned and operated gas gathering lines are regulated under California Code of Regulations (CCR) Title 8 Industry Safety Regulations.<sup>6</sup> The upfront costs<sup>7</sup> associated with the biogas collection lines and treatment equipment will be recovered from utility ratepayers and provided as a reimbursement to the Applicant. To ensure only reasonable and verified costs of Pipeline Infrastructure developed pursuant to the dairy Pilot Projects are collected from ratepayers, Applicant-owned Pipeline Infrastructure costs will be recorded in a Utility balancing account and costs above the bid amount will be subject to reasonableness review by the CPUC.<sup>8</sup> Selected Pilot Projects should keep detailed project and cost information, and be prepared to provide this information should a reasonableness review be necessary.

Applicant may pursue an operation and maintenance contract with an Investor Owned Utility or third party for the Applicant-owned biogas treatment facilities and collection lines so long as contract terms are known, clear, cost effective, and result in increased safety.

#### **4.2 Utility Ownership of Pipeline Infrastructure**

Utilities will own and operate all facilities downstream of the biogas conditioning and upgrading facilities (Lanes 4, 5 and 6), including pipeline lateral and compression from such facilities to the point of receipt and any pipeline extensions. These facilities are also referred to as Utility-Owned Pipeline Infrastructure. Utility owned and operated pipeline facilities are regulated in accordance with PHSMA guidelines, 49 CFR Part 192 and GO 112-F.<sup>9</sup>

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<sup>5</sup> E.g., location of the non-dairy livestock operation, location of the interconnection of the non-dairy livestock biogas with the Pipeline Infrastructure, and methane reductions generated from the non-dairy livestock biogas.

<sup>6</sup> D.17-12-004, COL 4 (page 21)

<sup>7</sup> Excluding any operation and maintenance costs

<sup>8</sup> The bid amount refers to the estimates provided in an Application for Applicant-Owned Pipeline Infrastructure

<sup>9</sup> D.17-12-004, COL 4 (page 21)

## 5.0 How to Participate in the Solicitation

### 5.1 Schedule

The following is a schedule of planned milestones. This schedule is subject to change by the Selection Committee as required:

1. On **January 18, 2018**, SoCalGas will issue a draft joint utility Solicitation.
2. On **January 31, 2018**, SoCalGas will hold a bidder Workshop/Webinar to explain the Solicitation process, gather inputs to clarify the Solicitation process, and to answer questions. Energy Division and ARB staff will participate in the Workshop/Webinar to provide agency perspective.
3. By **February 5, 2018**, interested parties to file Comments to the draft Solicitation (refer to Section 5.3).
4. By **February 12, 2018**, interested parties to file Reply Comments to the draft Solicitation (refer to Section 5.3).
5. On **February 15, 2018**, SoCalGas shall make modifications deemed necessary and submit the revised draft joint utility Solicitation to the Selection Committee at [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) for review and approval. In the submittal, SoCalGas shall provide a short summary of bidders' input on the draft Solicitation and explain the reasons for adopting, modifying, or rejecting bidders' input.
6. On **March 7, 2018**, the Selection Committee will issue the final Solicitation to the market.
7. By **March 17, 2018**, Applicants must submit a request for the Utilities to perform a SB 1383 dairy pilot-specific "Pipeline Infrastructure Scoping and Cost Estimation," providing necessary data such as digester locations and characteristics of biomethane (volume, temperature, pressure, constituents, etc.).<sup>10</sup> A request should be made to the Utility where the proposed Pilot Project is located. As part of this Pipeline Infrastructure Scoping and Cost Estimation, the Utilities will perform the initial desktop engineering studies necessary to assess common-carrier natural gas pipeline offtake capacity, and provide a preliminary design and cost estimates of Utility-owned Pipeline Infrastructure. These costs will primarily be assessed from the engineering office and will not represent a fully-vetted, firm cost estimate. The results of this engineering study will be shared with each Applicant within 45 days of the Applicant's request. After receiving the engineering and cost estimate, the Applicants shall have 15 days to submit changes to its project description. If any changes are made, the Utilities will have another 15 days to provide a final Pipeline Infrastructure Scoping and Cost Estimation.
8. By **June 25, 2018**, Applicants will electronically submit an Application for their proposed dairy Pilot Project(s) to [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) and to the Utilities in their respective service

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<sup>10</sup> The Pipeline Infrastructure Scoping and Cost Estimation is paid for by the Utility.

- territories (use email addresses listed in Chapter 1, Section 5.6) within 110 days following the issuing of the final Solicitation. The Pipeline Infrastructure Scoping and Cost Estimation should include two references to actual historical or current competitive cost data for similar work. The CPUC will evaluate cost estimations (both Utility-Owned Pipeline Infrastructure and Applicant-Owned Pipeline Infrastructure). The Selection Committee and/or independent auditors will evaluate and verify project benefits. The Selection Committee has the discretion to modify the cost estimation (both Applicant and Utility-Owned Pipeline Infrastructure) and GHG Reduction value used as an input for Financial Plan/Soundness (Chapter 2, Section 3.0) and GHG Reduction and Cost Effectiveness (Chapter 2, Section 4.0). Estimated cost documentation provided shall be itemized, such that the CPUC can understand the exact breakdown of labor, operations and maintenance, and capital expenditures for each job activity and each installed piece of equipment.
9. The Selection Committee will choose a short list of Pilot Projects (First Shortlist) based on the selection criteria and submit it to the Utilities to review and refine the Utility-Owned Pipeline Infrastructure cost estimates, including researching land acquisition, site development, right-of-way, metering, gas quality, compression requirements, permitting, regulatory, environmental, unusual construction, operating and maintenance costs.
  10. Within 30 days of receiving the Pilot Project shortlist from the Selection Committee, Utilities will provide refined cost estimates to the Selection Committee that includes reference to actual historical or current competitive cost data for similar work.
  11. Once the refined cost estimates are reviewed, the Selection Committee will submit to the Utilities a narrowed-down selection of at least five projects (Second Shortlist).
  12. Within 30 days of the selection of the final Pilot Projects, Utilities will complete a final Utility-Owned Pipeline Infrastructure cost estimate of projected revenue requirement, including a description of all costs of construction, development of complete engineering construction drawings, preparation of all construction and environmental permit applications and right-of-way acquisition requirements. Reference to actual historical or current competitive cost data for similar work should be included.
  13. With the final Utility-Owned Pipeline Infrastructure cost estimate, the Selection Committee will review and select at least five Pilot Projects based on the Selection Criteria. The Selection Committee has the discretion to choose dairy Pilot Projects that are not the highest scoring to ensure that dairy Pilot Projects are selected in a variety of geographic locations and are developed by at least two or more developers in order achieve project diversity. If there is no consensus within the Selection Committee, the CPUC will make the final selection.
  14. The Selection Committee will inform the Utilities of the selected Pilot Projects, and within 10 days of award, the Utilities will each file a Tier 2 Advice Letter to open a balancing account to record expenditures for biogas collection lines, and a memorandum account to record capital for point of receipts and pipeline extensions.

15. Within 30 days of the date the Selection Committee notifies the Utilities of the selected Pilot Projects, the Utilities will file a Tier 2 Advice Letter seeking approval of the contracts with the dairy Pilot Projects.
16. The Utilities will manage and implement the Pipeline Infrastructure portion of the Pilot Projects in their respective service territories.
17. The Utilities must work with the awarded Applicants to establish a construction plan for necessary Utility-owned Pipeline Infrastructure. The Utilities must pay for and construct the portion of a Pilot Project that is defined as Utility-owned Pipeline Infrastructure.

## 5.2 Applicants Workshop

The Utilities will conduct a workshop/webinar on the SB 1383 Solicitation process on January 31, 2018. All interested Applicants are encouraged to participate in the workshop and details are below:

California Department of Food and Agriculture, Room 101  
 2800 Gateway Oaks Dr,  
 Sacramento, CA 95833

January 31, 2018

1:00 p.m. to 3:00 p.m.

Webinar and call-in information will be posted to the CPUC’s website:

[http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/)

## 5.3 Comments and Reply Comments to the Joint Utility Draft Solicitation

Table 1 provides the schedule for interested parties to file Comments and Reply Comments to the joint utility draft Solicitation. Comments and Reply Comments shall be submitted to the (D.)17-12-004 service list. Comments and Reply Comments will be posted to the CPUC’s website at [http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/).

Comments Due By:	Reply Comments Due By:
February 5, 2018 by 5:00 p.m.	February 12, 2018 by 5:00 p.m.

TABLE 1: Note: All times listed above are Pacific Standard Time (PST)

## 5.4 Questions and Answers to the Final Solicitation

Questions pertaining to the final Solicitation issued by the Selection Committee should be submitted to [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov). Responses to all questions received will be posted to the CPUC’s website at [http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/).

To maintain the integrity of the competitive grant process, the Selection Committee is unable to advise and/or provide individuals with any information except through the process identified above.

## 5.5 Applicant Request for the Utility to Complete a Pipeline Infrastructure Scoping and Cost Estimation

As stated in Step 7 of Chapter 1, Section 5.1, the Applicant is required to submit a Pipeline Infrastructure Scoping and Cost Estimation by March 17<sup>th</sup>, 2018 to the Utility where the proposed dairy Pilot Project is located. The following information is to be submitted to each Utility:

### 5.5.1 General Information to be Provided by Applicant to Utility for Each Project

Provide a map that provides a project overview including:

1. The dairies where the Applicant has an agreement for the feedstock
2. The dairies where the Applicant does not have an agreement for the feedstock but could be added at a future time
3. The location of the dairy digesters: existing, under development, and planned
4. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas conditioning and upgrading facility
5. Location of the central biogas conditioning and upgrading facility
6. Location(s) of the proposed Utility point of receipt
7. Location(s) of the Utility pipeline extension
8. Identify public right-of-way and private right-of-way for each component

### 5.5.2 Utility Specific Information to be Provided by Applicant to Utility for Each Project

Applicant to complete the Utility form where the proposed project is located:

1. **SoCalGas and SDG&E** – Gas Supplier Interconnection Fact Sheet  
<https://www.socalgas.com/1443740708188/gas-supplier-interconnection-factsheet.pdf>
2. **PG&E** – Request for Gas Supply Interconnection  
[https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/interconnection-renewables/interconnections-renewables/request-for-gas-supply-interconnection.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/interconnection-renewables/interconnections-renewables/request-for-gas-supply-interconnection.pdf)
3. **Southwest Gas** – To be included in the Final Solicitation

## 5.6 How to Apply

Applicants are requested to submit an electronic version of their Application in **PDF format** to the Selection Committee at [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) and to the Utilities within their respective



services territories. For SoCalGas and SDG&E, the email address is [SB1383Pilots@semprautilities.com](mailto:SB1383Pilots@semprautilities.com). For PG&E, the email address is [biomethane@pge.com](mailto:biomethane@pge.com). For Southwest Gas, the email address is [KeyAccountManagement@swgas.com](mailto:KeyAccountManagement@swgas.com). Chapter 2 of this Solicitation provides the required documentation for submitting an Application. Applications are due no later than June 25<sup>th</sup>, 2018 at 5:00 p.m. Applications received after this time **will not be accepted.**

## 6.0 Selection Criteria

A Selection Committee comprised of the CPUC as the lead agency, in consultation with ARB and CDEA will determine which dairy biomethane Pilot Project proposals are accepted for inclusion in the dairy Pilot Projects. Applicants shall submit a response that includes a detailed description of the proposed Pilot Project, its operational goals and objectives. The score will be based on the criterion chart below:

Scoring Criteria	Maximum Points
Dairy Waste-to-Biomethane Business Model <ul style="list-style-type: none"> <li>• Dairy Operation</li> <li>• Technology Plan</li> <li>• Marketing Plan</li> <li>• Scalability</li> </ul>	20
Financial Plan/Soundness	15
Greenhouse Gas Reduction and Cost Effectiveness	25
Environmental Benefits	15
Disadvantaged Communities	10
Project Readiness and Implementation	15

Pilot Project Applications will be evaluated and verified by the Selection Committee and/or independent auditors.

Pilot Projects with the five highest scores will be chosen for participation. However, the Selection Committee has the discretion to choose Pilot Projects that are not the highest scoring to ensure that Pilot Projects are selected in a variety of geographic locations and are developed by at least two or more developers to achieve project diversity. In the event of multiple Pilot Projects with identical scores as the fifth-highest, the CPUC representative on the Selection Committee has the discretion to authorize more than five Pilot Projects. The Pilot Projects selected are required to participate in a dairy biomethane evaluation study and to report specified data to the Selection Committee and the California Energy Commission (CEC) on an annual basis.

The Selection Committee may send project applicants written questions about their projects and applications and expect to receive written responses in 10 days.

Depending on the results of this solicitation, the Selection Committee can put forth a future solicitation at its discretion in order to comply with the terms of SB 1383.

## **7.0 Requirements for Selected Pilot Projects**

### **7.1 Agreement/Contracts**

Applicants with Selected Pilot Projects will receive a SB 1383 Agreement package with specific instructions regarding award requirements. Once the agreement(s) are executed, Selected Pilot Projects can begin implementation of the project. Selected Pilot Projects are responsible for the overall management of their awarded project to ensure all project activities are completed. It is required that selected projects will comply with the terms of their application for five (5) years from the date that the project receives Milestone Payment 3.

The target date for Selected Pilot Projects to be connected to the Utility pipeline and flowing renewable natural gas is two years after the Applicant has received notification by the Selection Committee of a successful Application. If the proposed project is not online in two years from the date of selection, the applicant must submit an Extension Request to the Selection Committee delineating project steps and expected online date.

### **7.2 Demonstrate CEQA Compliance**

Selected Pilot Projects must demonstrate substantial compliance with CEQA and all applicable permits within six months of receiving notification from the Selection Committee of a successful bid, with the opportunity to request additional time for good cause. More specifically, Pilot Projects must undergo any required CEQA process to provide information on potential impacts of the project. Continued compliance with all environmental permit requirements is required for the duration of the Pilot Project's operation. CEQA Guidance is located in Attachment A.

### **7.3 Reporting**

Selected Pilot Projects must agree to report specific data to the Selection Committee and the CEC on a quarterly basis. Pilot Projects must also agree to allow these agencies to monitor and evaluate these data. Pilot Projects have an obligation to report the costs incurred, by both the dairy and utility, as long as the pilots are operational or the costs from the Pilot Projects are included in Utility rates, but not to exceed 15 years. Finally, Pilot Projects must agree to participate in reasonable research projects undertaken by these State agencies, sometimes in collaboration with the dairy industry, designed to better understand the emissions profiles of the Pilot Projects, their cost and revenue potential, the relative effectiveness of various design features, as well as reasonable related data reporting parameters. Confidential business information evaluated during reporting,

monitoring, and subsequent research is protected from disclosure under existing law. Details of the report parameters and evaluations are located in Attachment B.

#### **7.4 Interaction Between Existing Public Funding Programs**

Applicant-owned Pipeline Infrastructure costs for which the applicant intends to or does pay with another source of public funding or statutorily authorized funding (such as AB 2313 or the CDFA Dairy Digester Research and Development Program) are not eligible for reimbursement. A project shall document how funds received pursuant to the dairy biomethane pilot project program are spent on costs not otherwise covered by another funding source.

#### **7.5 Reimbursement Mechanism for Applicant-Owned Pipeline Infrastructure**

There will be a milestone payment reimbursement structure for Applicant-Owned Pipeline Infrastructure as follows:

**Milestone Payment 1:** When a selected pilot project spends 35% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 2:** When the selected pilot project spends 70% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project can seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 3:** Reimbursement payment up to 15% of the approved bid amount for Applicant-Owned Pipeline Infrastructure will be provided to the selected pilot project after meeting the 30 out of 40 days flow requirement as established in the Biomethane Monetary Incentive Program established in D.15-06-029, as modified by D.16-12-043:

Applicant to produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of the meter. Applicant must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Applicant is unable to produce flow because of an interruption of delivery as set forth in Rule No. 23. Applicants may elect to restart the 40 day testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.<sup>11</sup>

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<sup>11</sup> See D.15-06-029, p. 42, Conclusion of Law 12; D.16-12-043, pp. 33, 42, Conclusion of Law 2.

Once the 30 out of 40 days flow requirement is met, the selected pilot project must provide the appropriate utility with detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed 15% of the bid amount for Applicant-Owned Pipeline Infrastructure for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 4:** The final reimbursement payment of up to 15% of the bid amount for the Applicant-Owned Pipeline Infrastructure will be provided to the selected pilot project after meeting the forecasted renewable natural gas production volume as provided in the solicitation application. Once this requirement is met, the selected pilot project must provide detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the bid amount for Applicant-Owned Pipeline Infrastructure to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s). The final reimbursement payment will be available for 2 years, starting from the date the 30 out of 40 days flow requirement is met.

- Utilities shall submit reimbursement summaries to the Selection Committee & make all receipts reviewable available upon request.
- If a selected project withdraws from the pilot and has incurred any costs, the project must return any funds received.

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# CHAPTER 1 – Attachments

## ATTACHMENT A: CEQA Guidance

1. **Air Quality Protection.** Projects shall demonstrate protection of air quality such that project specific air quality impacts are mitigated to a level of insignificance. The design and construction of digester vessels (i.e., ponds and tanks), low pressure raw biogas pipeline, biogas upgrading and conditioning equipment, biomethane compression equipment, post-cleanup pipeline and interconnection components under this program shall be demonstrated to be protective of air quality. To meet air quality requirements, the following is required:
  - a. Pilot Projects must prepare and deploy methane leak detection or a plan covering the interconnection point, post-upgrading pipeline, compressor stations, biogas upgrading system, low-pressure pipeline, and anaerobic digester. Post-upgrading component methane leak monitoring shall be conducted in accordance with the leak<sup>12</sup> detection and repair<sup>13</sup> requirements of Section 95669 (Leak Detection and Repair) of the ARB Oil and Gas Regulation (California Code of Regulations, Title 17, Division 3, Chapter 1, Subchapter 10 Climate Change, Article 4)<sup>14</sup> and is the responsibility of the gas corporations. The cost of methane leak detection equipment is recoverable in rates.
  - b. Projects with existing or planned onsite generation technologies operating on dairy biogas (e.g., combustion turbine, reciprocating internal combustion engines, microturbines or fuel cells) must meet Best Available Control Technology (BACT) standards under new source review and shall demonstrate compliance for the life of the project.
  - c. Flaring of raw biogas or biomethane meeting pipeline specifications shall only be allowed in case of emergency. The local Air District(s) shall define what constitutes an emergency under this provision.
  - d. Any offsite emission reductions to offset a project’s criteria pollutant and toxic air contaminant emissions must occur in the same air basin as the project site.
2. **Water Quality.** Projects shall demonstrate protection of water. The design and construction of digester vessels (i.e., ponds and tanks) under this program shall be demonstrated to be protective of surface and ground water quality as determined by the appropriate regional water quality control board, including, but not limited to, each of the following:
  - a. Double-lined ponds consistent with the Tier 1 specification of the Dairy General Order (R5-2013-0122) of the Central Valley Regional Water Quality Control Board;
  - b. Above-ground tank;
  - c. Below-grade concrete lined tank

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<sup>12</sup> Leak is defined in § 95667 (a)(27) of the ARB Oil and Gas Regulation as “the unintentional release of emissions at a rate greater than or equal to the leak thresholds specified in this subarticle.”

<sup>13</sup> Leak detection and repair is defined in § 95667 (a)(28) of the ARB Oil and Gas Regulation as “the inspection of components to detect leaks of total hydrocarbons and the repair of components with leaks above the standards specified in this subarticle and within the timeframes specified in this subarticle.”

<sup>14</sup> Text of the Oil and Gas Regulation, effective October 1, 2017 is available at: <https://www.arb.ca.gov/regact/2016/oilandgas2016/ogfro.pdf>

## **ATTACHMENT B: Data Reporting Parameters and Participation in Evaluations**

Each selected dairy Pilot Project must participate in data reporting and evaluations and shall be submitted to the Selection Committee and CEC on a quarterly basis. Commercially sensitive data may be submitted with a request for limits on disclosure. Data reporting includes:

- A. Pilot Project Information and Description, including (but not limited to):
  1. Location
  2. Detailed dairy cow population (by dairy for clusters, segregated by age, gender, and lactation status)
  3. Discussion of business model
  4. Demonstrated dairy/site control for third party developer projects
  5. Description of current manure handling and all proposed modifications
  6. Description of equipment to be installed, including location of any centralized facilities shared between dairies
  7. Proximity to pipeline with injection capacity
  8. Proximity to transportation corridors
  9. Proximity to disadvantaged communities as defined by the Office of Environmental Health Hazard Assessment (OEHHA) by CalEnviroScreen 3.0.
  10. Description of related on- and off-dairy heavy-duty vehicle fleets (milk hauling, feed delivery) that could potentially be converted to low-NOx natural gas power.
  11. Discussion of fuel and transportation off-taker contracts completed or under development.
  
- B. Provide all information listed in the “FAAST Grant Application Questions”<sup>15</sup> section of the CDFA’s 2017 Dairy Digester Research and Development Program Solicitation.
  
- C. Costs, including but not limited to:
  1. Project Development and Construction, including the cost of design, engineering, installation, and individual component capital costs (e.g. including digesters, gathering lines, biomethane upgrading/conditioning, and pipeline injection point of receipt), including how any project delays impacted costs;
  2. Interconnection Studies;
  3. Component Operation and Maintenance (including consumables, labor, and energy requirements); and
  4. Description (including total amounts) of costs recovered through the utility ratebase.

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<sup>15</sup> Referenced material currently begins on page 12 of the May 3, 2017 Request for DDRDP Grant Applications <https://www.cdfa.ca.gov/oefi/ddrdp/>

D. Costs shall also be reported as follows:

1. Energy production cost-effectiveness (annual diesel gallon equivalents (DGEs) produced divided by annualized project expenditures);
2. Methane emissions abatement cost effectiveness (annual emissions avoided divided by annualized project expenditures); and
3. Percent of total project costs recovered from utility ratepayers (defined as Pipeline Infrastructure Costs).

E. Project developers agree to allow the following to be monitored, evaluated, or otherwise studied:

1. Feasibility
2. Cost-effectiveness
3. Method to track and verify delivery of biomethane to transportation fuel fleets or customers
4. Determinants of technical performance, including the following:
  - i. Emissions (GHG and criteria) and emissions reductions
    - Methane emission reductions must be calculated using either the ARB Livestock Projects Compliance Offset Protocol<sup>16</sup> or the FY 17/18 CDFA Dairy Digester Research and Development Program Quantification Methodology.<sup>17</sup>
    - Projects are required to provide GHG calculations in the following formats:
      - Total annual biomethane injection;
      - Total annual GHG emission reduction;
      - GHG reduction per unit of energy-corrected milk (ECM) produced by the dairy operation;
      - GHG reduction per dollar CDFA-DDRDP and additional GGRF (if any) grant money invested. (If applicable)
  - ii. Renewable energy potential (amount of biogas and fuel produced)
  - iii. Effectiveness of selected technology components
    - Dairy digestion technology, including monitoring and testing of baseline and post-digester emissions, at a minimum methane, nitrous oxide, criteria pollutants, and toxic air contaminants from anaerobic digestion, handling of post-digestion manure, and any other air emissions from a project
    - Biogas upgrading and conditioning, including monitoring biogas quality achieved pre- and post-cleanup by methods including, but not limited to standard leak-detection and remote sensing

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<sup>16</sup> Information on the ARB Livestock Projects Compliance Offset Protocol available on the ARB website at: <https://www.arb.ca.gov/cc/capandtrade/protocols/livestock/livestock.htm>

<sup>17</sup> The Greenhouse Gas Quantification Methodology for the CDFA DDRDP is available at: [https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/cdfa\\_ddrdp\\_finalqm\\_17-18.pdf](https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/cdfa_ddrdp_finalqm_17-18.pdf)



- Pipeline and interconnection point of receipt
- iv. Impact on daily operation of dairy
  - v. Lessons learned
    - Key ingredients for success
    - Pitfalls to avoid
    - Potential for cost reductions
    - Transferability to other biomethane submarkets (e.g., wastewater treatment plants, organic diversion at landfills, food waste)
  - vi. Scalability and replication potential
5. Future research<sup>18</sup> related to understanding and encouraging dairy pipeline injection projects.

F. Prior to project initiation,<sup>19</sup> project developers must conduct reasonable outreach to neighboring disadvantaged communities identified by CalEnviroScreen 3.0,<sup>20</sup> as specified by the Selection Committee, and CEC as appropriate, concerning project benefits, impacts, and measures that will increase benefits and reduce impacts. Input from the communities must be solicited, recorded, and (when feasible) incorporated into development plans. Agency representatives will attend the outreach events when feasible. Summaries of comments received, and proposed responses to each will be prepared and submitted to the agencies for approval.

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<sup>18</sup> This requirement allows for appropriate planning and allocation of funding and resources for integrated interagency research plans and projects which may not be finalized before the release and adoption of the Rulemaking. ARB desires to retain the right to conduct reasonable research on pilot project facilities in the event that research plans and projects are not finalized before pilots are selected.

<sup>19</sup> For the purposes of the pilot project selections, ARB defines “prior to project initiation” for environmental justice outreach purposes as meaning before biomethane commences injection into the natural gas pipeline network.

<sup>20</sup> Information on CalEnviroScreen 3.0 is available at: <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

## **ATTACHMENT C: Confidentiality**

### **Selection Committee Confidentiality Requirements**

For the solicitation process, utilities will treat information confidentially as follows:

### **Utility Confidentiality Requirements**

- **SoCalGas and SDG&E**

When a party requests an Interconnection Capacity Study under the existing Rule 39 process, one of the first steps is for the party and SoCalGas/SDG&E to execute a Non-Disclosure Agreement (NDA) to ensure information exchanged remains confidential. SoCalGas and SDG&E will utilize this same existing procedure for the Solicitation and will execute a NDA with the Applicant immediately after the Applicant requests a Pipeline Infrastructure Scoping and Cost Estimation (Step 7 of Chapter 1, Section 5.1). This will ensure the information exchanged during the Solicitation process will be treated as confidential.

- **PG&E**

At the time Applicants submit a request for PG&E to perform a “Pipeline Infrastructure Scoping and Cost Estimation” (Step 7 of Chapter 1, Section 5.1), PG&E will require execution of a Non-Disclosure Agreement to protect proprietary information furnished to the Applicant.

- **Southwest Gas**

As applicable, Southwest Gas will negotiate an NDA with Applicants to ensure information exchanged remains confidential.

## ATTACHMENT D: Key Terms and Definitions

Word/Term	Definition
Applicant(s)	The respondent(s) to this solicitation
Applicant-Owned Pipeline Infrastructure	Applicant shall own and operate the biogas collection lines and any biogas treatment or conditioning equipment to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines (refer to Chapter 1, Section 4.0, Figure 1, Lane 2)
Application	An applicant's formal written response to this solicitation
Greenhouse Gas (GHG) Emissions Reduction	A calculated decrease in GHG emissions relative to a project baseline scenario over a specified period of time.
Pilot Pilots	Dairy pilot projects that propose to demonstrate interconnection to the common carrier pipeline system under SB 1383
Pipeline Infrastructure	Includes both Applicant-Owned Pipeline Infrastructure and Utility-Owned Pipeline Infrastructure (refer to Chapter 1, Section 4.0, Figure 1, Lanes 2, 4, 5 and 6)
Rulemaking	CPUC (R.) 17-06-015
Selected Pilot Projects	Dairy Pilot Projects selected by the Selection Committee to demonstrate interconnection to the common carrier pipeline system under SB 1383
Selection Committee	Made up of CPUC, ARB, and CDFA, controls the terms of the Solicitation and selects the Pilot Projects to move forward to contract with Utilities
Selection Criteria	As described in Chapter 1, Section 6.0
Utility or Utilities	Pacific Gas & Electric (PG&E), San Diego Gas and Electric (SDG&E), SoCalGas, and Southwest Gas Corporation (Southwest Gas)
Utility-Owned Pipeline Infrastructure	Utility owned and operated pipeline lateral and compression, interconnection point of receipt, and interconnection pipeline extension (refer to Chapter 1, Section 4.0, Figure 1, Lanes 4-6)

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## CHAPTER 2: Required Documentation For Submitting Application

**Include:** Applicant shall respond to all questions in adequate detail for Sections 1 to 7 below, which will be inputs for the Selection Criteria.

**Format for Submittal:** Times New Roman font size 11, 1 inch margins, and single-spaced. Do not change order of sections, margins, font size, or spacing. Label all supplemental attachments according to their numbering below. If providing additional supporting documentation, commence numbering and make it clear which Application section it applies to.

### 1. Pilot Project Basics

<b>Pilot Project Name:</b>	
<b>Applicant Entity:</b>	
<b>Additional Pilot Project Partners:</b>	
<b>Dairy Cluster? (Y/N):</b>	
<b>Dairy Location(s) - City, County:</b>	
<b>Existing Digester(s)? (Y/N):</b>	
<b>Existing or Anticipated Contract(s) for Electric Generation? (Y/N):</b>	
<b>Primary Contact Name:</b>	
<b>Primary Contact Email:</b>	
<b>Primary Contact Phone:</b>	
<b>Executed Feedstock Agreement</b>	
<b>Existing Site Control Agreement</b>	

### 2.0 Dairy Waste-to-Biomethane Business Model (Maximum Points = 20)

#### 2.1 Dairy Operation

- 1) Provide the details of the history and background for each dairy operation for the Pilot Project.
  - a. Provide herd size and breed, including average number of lactating cows (in freestalls and in open lot corrals), dry cows, replacement calves, replacement heifers, and any other livestock for each dairy.
  - b. Explain the current management practices in detail, including a description of lagoon(s) size (depth and volume) if currently using lagoon storage, parlor water use, bedding type, method and frequency of manure collection including percent of manure collected from each production group (i.e., lactating cows, heifers etc.).

- c. As **Attachment 1**, include a schematic diagram showing total solids flows into and lost from the manure treatment system.
  - d. Provide details of quantity, location, and source of manure and other materials (if any) digested, and quantify minimum daily total solids loads needed for the system to operate optimally.
  - e. Explain if each facility will be able to guarantee the minimum feedstock needed for each digester, and how manure will be handled when the system is not operational.
- 2) For the Pilot Project, describe the phased-approach or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The Selection Committee will only consider GHG emission reductions based on executed feedstock agreements in this scoring criteria. The Selection Committee may also review and consider future expected feedstock agreements, but these non-executed agreements will not be considered for methane destruction scoring purposes.
  - 3) Explain in detail how current dairy manure management operations compare to the proposed pilot methane management operations.
  - 4) As **Attachment 2**, provide a map (as included in your Pipeline Infrastructure Scoping and Cost Estimation Request) that provides a project overview including:
    - a. The dairies where the developer has an agreement for the feedstock
    - b. The dairies where the developer does not have an agreement for the feedstock but could be added at a future time
    - c. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas upgrading facility
    - d. Location of the central biogas upgrading facility
    - e. Location of the utility point of receipt
    - f. Location of the utility pipeline extension
    - g. Identify public right-of-way and private right-of-way for each component

## 2.2 Technology Plan

- 1) Dairy Digesters
  - a) Describe the proposed digester technologies in sufficient detail to explain how it works and its technical feasibility and/or commercialization status.
  - b) Provide a clear description about what the Pilot Project is currently committed to accomplish and future plans.
  - c) In **Attachment 3**, provide Project design documents, including schematics, figures, graphics and plans, must be submitted as part of the Application. Project designs must be approved by a licensed professional engineer. Details such as digester volume, solids and hydraulic retention times and mass balance through the digester must be included. Mass balance must be illustrated in an annotated diagram with the following components clearly indicated:
    - Manure input rate (mass or gallons with estimated total solids)
    - Digestate outflow rate (mass or volume with estimated total solids)
    - Expected bio-gas flow with methane content estimate.
- 2) Biogas Collection Lines
  - a) Describe how biogas collection lines will be maintained in accordance with city, state and local codes, and any other codes and regulations that are applicable.
  - b) Describe any additional measures, beyond what is required in code, that will be taken to ensure the safe installation (e.g., installation depth, utility clearance, safety tape/mesh).
  - c) Describe any additional measures, beyond what is required in code, that will be taken to ensure the ongoing safety performance with operation and maintenance of the pipelines (e.g., leak survey, valve installation).

- d) Describe any permits required for the installation and maintenance of the biogas collection lines and the status of each permit.
  - e) Describe how to manage any condensates in the lines and monitoring of integrity.
  - f) As **Attachment 4** provide a diagram or a drawing showing the expected pressures and temperatures at various points in the biogas collection lines. Provide the type(s) of materials used to create the biogas collection lines.
- 3) Biogas Conditioning and Upgrading Facility
- a) Describe the proposed biogas conditioning/upgrading technologies in sufficient detail to explain how it works and its technical feasibility and/or commercialization status.
  - b) Describe any gas processing of the biogas at each dairy prior to the biogas entering collection lines.
  - c) Describe any gas compression of the biogas to be done at each dairy prior to the biogas entering the collection lines.
  - d) In **Attachment 5** provide the following:
    - Process flow diagrams for the central biogas conditioning and upgrading facility, include expected pressure of the biogas entering the central biogas conditioning and upgrading facility.
    - Describe the design parameters for the biogas upgrading facility:
      - Flow capacity
      - Gas composition of feed gas
      - Gas composition of product gas
      - Heat and Material Balance
      - Preliminary calculations
      - Equipment data sheets
      - Utility requirements
      - Chemicals used (provide Safety Data Sheets)
  - e) Describe the nitrogen and oxygen removal capabilities (include maximum levels). If so, what are the maximum levels of nitrogen and oxygen while still able to meet the utility pipeline quality specifications.
  - f) Describe any performance guarantees provided by the biogas upgrading system vendors.
  - g) Should the renewable natural gas not meet pipeline quality specifications and the Utility does not accept the gas into the common carrier pipeline, explain how the applicant will remedy this situation, including description of how any non-compliant gas and upstream gas production will be managed through this process.
  - h) Describe how the biogas upgrading facility will be installed in accordance with city, state and local codes, and any other codes and regulations that are applicable
  - i) Describe any additional measures, beyond what is required in code, that will be taken to ensure safe installation
  - j) Describe any additional measures, beyond what is required in code, that will be taken to ensure the ongoing safety performance with operation and maintenance of the biogas upgrading facility
  - k) Describe any permits required for the installation and maintenance of the biogas upgrading facility and the status of each permit
  - l) Describe expected amount of tail gas flaring, including methane content and expected combustion emissions.

- 4) Pipeline Lateral and Compression
  - a) Provide the distance from the biogas conditioning and upgrading facility to the point of receipt.
  - b) Provide the expected pressure (minimum, average and maximum in psig), temperature, gas composition, and volumes (minimum, expected average and maximum in standard cubic feet per hour) of the renewable natural gas leaving the biogas conditioning and upgrading facility and entering the pipeline lateral.
  - c) Provide site conditions including ambient temperatures, elevation and available utilities.
- 5) Complete End-to-End Technology Solution (Digester to Central Conditioning/Upgrading Facility)
  - a) Describe how proposed technologies and processes contribute to the facility's/project's ability to compete in the commercial California marketplace. Provide assumptions and sources of relevant data.
  - b) Identify and document the role of technology partners, including the legal or contractual relationship and obligations between partners.
  - c) If applicable, discuss how the proposed technology is a transformative approach to tackling a critical technology issue or market barrier.

### **2.3 Marketing Plan**

- 1) Identify credible target markets for biomethane, market drivers, and anticipated market growth.
- 2) Identify market barriers to the development of dairy biomethane, including existing or potential competitions, and how the Pilot Project will overcome them.
- 3) Describe and document the role of strategic marketing partners, customers, and other partners in ensuring Pilot Project success, including fuel and co-product off-take agreements (existing or conditional agreements).
- 4) Submit preliminary draft 1-page summary showcasing the benefits of the project. Please include information for public consumption including: costs, benefits, uses of new technology, partnerships, community benefits, any other information that could be provided to the public to explain why the project is of benefit to the State of California.

### **2.4 Scalability**

- 1) Discuss the replicability of the proposed digester and conditioning technologies and the long-term viability of scaling up capacity.
- 2) Describe how feasible it is for the interconnect location to accept biomethane from potential additional digesters.
- 3) Describe the potential for future expected feedstock agreements and the expected timing for such agreements and the inclusion of such feedstock in proposed Pipeline Infrastructure.

### **2.5 Project Team Qualifications**

- 1) Provide a list of team members along with a short description of their qualifications, experience, technical expertise, capabilities, and credentials (e.g., a professional resume). This must include at a minimum, project developers, project manager, and participating dairy farmer(s). Applicant must identify why this particular team composition and representation will enable successful implementation of the proposed work plan. Collaboration is encouraged.



- 2) If a Pilot Project is being submitted by a project developer, a contractual agreement documenting project support from the dairy producer(s) must be included as **Attachment 6**. Letters of commitment from team members demonstrating understanding of their participation and specific role(s) in the Pilot Project must also be included.
- 3) Provide an explanation of how various tasks will be managed and coordinated and how the Pilot Project manager's technical expertise will help achieve the goals of the project. Describe previous experience of the Pilot Project team with dairy digester projects in California or other parts of the United States.
- 4) List past successful digester projects developed by the Pilot Project team, including digesters implemented in California and their operational status.

## **2.6 Long Term Viability of Project**

- 1) Demonstrate how the operations and maintenance costs of the Pilot Project will be sustained for the life of the Pilot Project. Explain all ongoing funding sources for the Pilot Project. List personnel positions assigned to carry out operations and maintenance through the life of the Pilot Project.
- 2) Examine, compare and describe the availability of required replacement parts and qualified service personnel to keep the system operating as effectively as possible with a minimum amount of downtime for repairs or maintenance. Provide information regarding availability of replacement parts and qualified service technicians, the cost of commonly replaced parts/services, and the availability of included maintenance packages.

## **3.0 Financial Plan/Soundness (Maximum Points = 15)**

### **3.1 Economic Viability**

- 1) Demonstrate economic viability of the proposed Pilot Project by providing the following financial documentation (with assumptions listed) over the duration of the proposed Pilot Project.
- 2) In **Attachment 7** provide balance sheet and cash flow statements for the past three (3) year for Applicant's firm and any other partners that have a substantial stake in the Pilot Projects, if available. Documents must be audited and certified by a Certified Public Accountant (CPA). If audited financial statements are not available by submission date, then financial statements certified by a CPA are acceptable.
- 3) In **Attachment 8** provide five-year pro forma financial statements for Applicant's firm and any other partners that have a substantial stake in Pilot Project, including projected balance sheet, income statement, cash flow statement, and debt service schedule for existing and planned long-term debt, if any. List assumptions, including but not limited to, market supply and demand conditions of the industry, market fluctuations, and monthly or quarterly fixed costs and variable costs.
- 4) In **Attachment 9** (the Project Scoping and Cost Estimation) provide Applicant's estimated costs should include the following: Pipeline Infrastructure (include all Applicant and Utility owned infrastructure costs, biogas treatment facilities and collection lines and compression, point of receipt, pipeline lateral and Utility-owned compression, pipeline extension, etc.), equipment (e.g., valves, meters, and protection devices), digester, conditioning facility, design, engineering, and installation costs. Within each job activity, cost should be broken down by labor, operation and maintenance, and each installed piece of equipment. At least two references to actual historical or current competitive cost data for similar work must be included to justify the cost for biogas collection line, conditioning equipment to remove hydrogen sulfide and water from the raw biogas, pipeline lateral, point of receipt, and pipeline extension. CPUC has the discretion to modify the cost estimation. An Applicant pursuing a phased approach to its project should include anticipated costs of all phases of the Pilot Project. The phased-approached cluster Pilot Project must include a signed lease and a feedstock agreement, not just a letter of interest or future

addition. Include all Utility supporting documentation, reports, studies, etc. used to calculate Utility owned infrastructure costs.

- 5) Identify applicant's sources of funding for the Pilot Project, such as grants, loans and equity contributions, and types, terms, and conditions of match agreements. If funding is from a public funding source, identify what project components will be paid for by the public funding source. Project funding should be described by both financial resources and percentage of total equity. Provide contact information for each match source.
- 6) Identify the financial risks to the proposed Pilot Project and describe the methods the Applicant will use to effectively manage and mitigate those risks. At a minimum, Applicant should address risks associated with construction, cost overruns, operation, maintenance, technology, regulations, and economic conditions.
- 7) Demonstrate the economic viability of the long-term plan following Pilot Project completion.
- 8) Identify and demonstrate how co-products or other revenue streams contribute to the business plan. Discuss assumptions about expected income from all revenue sources. Discuss how much Pilot Project viability depends on co-product revenues.
- 9) Discuss estimated values and planned disposition of any potential Low Carbon Fuel Standard credits, Renewable Fuel Standard Program credits (RINs), and/or carbon cap-and-trade credits.
- 10) List any pending or filed litigation in which Applicant is a party, and explain the extent of Applicant's liability coverage, if any. **Please list only litigation that pertains to or impacts the Pilot Project's execution. Explain how the pending or filed litigation affects the applicant's ability to complete and/or operate the Pilot Project.**
- 11) Will any of the biogas flowing through the collection lines not be injected into the utility pipeline system? If yes, please provide: 1) the expected total volume (standard cubic feet per day) of biogas flowing through the collection lines and 2) the volume of biogas flowing through the collection lines that will not be injected into the pipeline and the end-use equipment for this biogas.
- 12) In **Attachment 10** provide the Applicant's proposed schedule. The schedule should include the tasks identified in Attachment 9, the Project Scoping and Cost Estimation. CPUC has the discretion to modify the project schedule. An Applicant pursuing a phased approach to its project should include anticipated schedule of all phases and major milestones of the Pilot Project. Include the permitting schedule (as described in Chapter 2, Section 7.1).

## **4.0 GHG Reduction and Cost Effectiveness (Maximum Points = 25)**

### **4.1 Greenhouse Gas Reduction**

Explain how the proposed Pilot Project will result in reduction of metric tonnes of GHG emission annually compared to existing practices for the dairy. Provide the estimated GHG emission reduction resulting from the proposed Pilot Project(s) based on executed feedstock agreements. The Selection Committee will not consider GHG emission reductions that are based on future expected feedstock agreements in this scoring criteria. Download and complete the ARB GHG Emissions Reduction Calculation Tool. Scroll down and select latest version of the CDFA Dairy Digester Research and Development Program. The tool may allow applicant to change the default setting if justification is made with reference to research studies (e.g., electrical conversion efficiency for specific technology). However, this setting is currently being evaluated by ARB and CDFA and may change in future versions.

<https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm>

### **4.2 Cost-Effectiveness**

A higher score will be given to Pilot Projects providing the greatest GHG emissions reductions per dollar invested (cost-effectiveness). Provide a description and relevant documentations of the cost effectiveness of

the proposed Pilot Project, measured according to a standard cost-effectiveness metric. A standard cost-effectiveness methodology is dividing the amount of estimated methane emission reductions, based on executed feedstock agreements, over 10 years based on the California Air Resources Board's "Dairy Digester GHG Emission Reduction Calculator" by the total cost of the project based on the Pipeline Infrastructure costs which includes utility reimbursement for biogas collection line(s) and the utility's "Project Scoping and Cost Estimation," (Attachment 9) which includes construction, maintenance and operation cost for pipeline lateral, compression, point of receipt, and pipeline extension. The Selection Committee will not consider GHG emissions reductions that are based on future expected feedstock agreements in this scoring criteria.

- Please indicate in cost estimates what costs are related to safety as these costs are necessary components of the dairy pilots.

#### **4.3 Justification and Reference Requirement**

Inputs to the applicant's GHG emission reduction and the cost estimation may be added or modified if the Selection Committee finds it inadequate. Justification must be made if there are changes to the default setting in the GHG emission calculation tools. At least two references are required to support the cost estimation. References should include historical or current competitive cost data for similar work.

### **5.0 Environmental Benefits (Maximum Points = 15)**

#### **5.1 NOx and Criteria Pollutants**

- 1) Priority will be given to projects based on the criteria pollution benefits achieved by the project. Describe the Pilot Project's impact on NOx, other criteria pollutants, toxic air contaminants and hazardous air pollutants. Include all potential emission sources and how emissions would change before and after implementation of project. In **Attachment 11** provide supporting documents to support written explanation. Examples of options that can reduce or minimize generation of air pollutants mentioned above include, but are not limited to, upgrading biogas to biomethane for vehicle fuel production (either onsite or through injection into a common Carrier Pipeline), Microturbine Installation (onsite Electrical Generation), Fuel Cell Installation (Onsite Electrical Generation), Natural Gas Process Fuel Replacement, Agricultural Pump Electrification.
- 2) A higher score will be given to Pilot Projects that minimize criteria pollutant and Toxic Air Contaminant (TAC) emissions and maximize net criteria pollutant reductions.

#### **5.2 Mitigate Emissions On-Site**

Explain how the proposed Pilot Project will incorporate feasible mitigation measures, in accordance with the California Environmental Quality Act, to mitigate to a level that is less than significant, any potential adverse impact on local air quality from project specific criteria pollutants and TAC emissions from all aspects related to the project, including emissions resulting from construction, operation of the project, and resultant increases in vehicle miles travelled to and from the project site. Emissions not associated with the operation of the pilot project (e.g., agriculture pumps, normal farm vehicle operation, etc.) do not require mitigation. Any offsite mitigation of project's criteria pollutant and TAC emissions must occur in the same air basin as the project site.

- Describe related on-dairy heavy-duty vehicle fleets (milk hauling, feed delivery) that could potentially be converted to low-NOx natural gas power.

#### **5.3 Mitigate Emissions Off-Site**

Explain how the proposed pilot project reduces net criteria pollutant emissions.

- 1) Provide information and description of the project's proximity to transportation corridors.

- 2) In **Attachment 12** provide documents that support vehicle fuel sold to and utilized by freight transport vehicles along the State's major freight and transportation corridors (e.g., Interstate 5, State Route 99) or other locations.
- 3) In **Attachment 13** provide documents that verify any partnership with local delivery fleets (e.g. milk hauling, feed delivery) to convert diesel freight vehicles to natural gas vehicles and supply them with renewable compressed natural gas from a pilot injection project. These conversions will reduce NOx and diesel particulate matter of existing fleets.
- 4) In **Attachment 14** provide documents that verify contracts for the use of pipeline-injected renewable natural gas in electricity generation.

#### 5.4 Project Co-Benefits

Describe any additional environmental co-benefits the project will have beyond methane reductions and mitigation of NOx and other criteria pollutants, toxic air contaminants and hazardous air pollutants. Provide an explanation of additional co-benefits provided by the Pilot Project by written explanation, supporting documentation and citations from published literature. Examples of additional co-benefits that can potentially increase the project ranking include, but not limited to: clustering of projects; water conservation measures; water quality improvements; development of value-added post-methane production products such as fertilizers and soil amendments; utilization of waste heat; and expanding RCNG vehicle fuel network and on-farm equipment or transportation fleet conversion from fossil fuel use to electricity, RCNG or CNG.

### 6.0 Disadvantaged Communities (Maximum Points = 10)

#### 6.1 Community Impacts and Mitigation

A proposed Pilot Project that thoroughly explains, discusses, quantifies, and mitigates impacts and demonstrates outreach and engagement efforts will receive higher scores (e.g., a community benefit agreement will receive a higher score compared to community meeting summary).

- 1) Provide information and describe the project's proximity to disadvantaged communities.
- 2) Discuss and quantify the potential impacts (positive or negative) of the proposed Pilot Project on disadvantaged communities within California (within the top 25 percent of disadvantaged communities as defined by CalEnviroScreen 3.0).<sup>21</sup>
- 3) Describe in detail specific mitigation measures that will be included in the Pilot Project, including but not limited to, methods to mitigate impacts such as toxic air contaminants, hazardous air pollutants, criteria pollutants, groundwater and surface water impacts, truck traffic, and odor.
- 4) Describe how the Pilot Project proponent(s) engaged the community. Did community-based non-profit organization(s) involved in potentially impacted communities provide assistance in engagement efforts? Did discussion include potential adverse impacts of proposed Pilot Project(s), including a net increase in criteria pollutants, toxic air contaminants, hazardous air pollutants, groundwater and surface water impacts, and truck traffic, and odor?
- 5) List the public, community organizations and/or government stakeholders involved.
- 6) Provide details of community meetings, including but not limited to method of notification, attendance, location, date/time, translation services provided, childcare provided, meals provided.
- 7) In **Attachment 15** provide support letters from community members and/or leaders demonstrating that outreach was conducted (at least 3).

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<sup>21</sup> <http://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

- 8) Describe any community benefits agreement with local communities that describes the intentions for developing mutually beneficial outreach and requirements for each group.

## 6.2 Localized Economic Benefits

Applicants must explain economic benefits that will be provided to the community (or communities) where the Pilot Project is located. If your project will create temporary construction and/or permanent jobs in the community, indicate how many jobs, total project work hours, job classification/trade, approximate salaries and benefits for each job classification and trade, how long these jobs will last, and how they compare to current unemployment rates. Please be consistent with project work plan and the budget.

## 7.0 Project Readiness and Implementation (Maximum Points = 15)

- 1) **Overall Readiness/Permitting.** Include information about the permitting required for the Pilot Project and whether or not the permitting has been completed. This includes any description of permits required for the Utility-owned Pipeline Infrastructure. If the permitting has not been completed, include a permitting schedule that ensures successful project completion within the timeframes specified in this solicitation.
- 2) **Site Control.** In **Attachment 16** describe the proposed Pilot Project site and provide documentation and/or descriptions of site and equipment control. This includes any site control required for the Utility-owned Pipeline Infrastructure. Site and equipment control includes, but is not limited to: leases, ownership, or access rights. Proposed point of interconnection to a natural gas pipeline must be identified along with the distance between the proposed project and proposed point of interconnection. Applicants must also demonstrate thorough safety, maintenance, and training procedures will be in place.
- 3) **California Environmental Quality Act.** Include information documenting progress towards achieving compliance under the California Environmental Quality Act (CEQA). If CEQA compliance has not been obtained for an application, then include a schedule to complete CEQA activities for the proposed project.
- 4) **Community Outreach.** Include information about planned community outreach, including outreach and discussions with fire marshals and educational efforts to explain the proposed project to the public.
- 5) **Previous awards.** Include any received previous grants or awards from CEC, CDFG, and ARB, and describe how the requirements of the agreement(s) have been fulfilled/are being fulfilled. Describe previous grants or awards for the project from any source.
- 6) **Safety Action Plan.** Delineate potential unsafe conditions and note preliminary processes and procedures to respond to each.

## CHAPTER 2 Appendices: Attachment Checklist

**Include:** Applicant shall respond to all requests for attachments in adequate detail as shown below, which correspond with the sections and will be inputs for the Selection Criteria.

**Format for Submittal:** Times New Roman font size 11, and single-spaced. Label all supplemental attachments according to their numbering below. If providing additional supporting documentation, add rows to the table and commence numbering and make it clear which Application section it applies to.

	Attachment	Section	Description
<input type="checkbox"/>	1	2.1.1c	As Attachment 1, include a schematic diagram showing total solids flows into and lost from the manure treatment system.
<input type="checkbox"/>	2	2.1.4	<p>Provide a map (as included in your Project Scoping and Cost Estimation Request) that provides a project overview including:</p> <ol style="list-style-type: none"> <li>1. The dairies where the developer has an agreement for the feedstock</li> <li>2. The dairies where the developer does not have an agreement for the feedstock but could be added at a future time</li> <li>3. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas upgrading facility</li> <li>4. Location of the central biogas upgrading facility</li> <li>5. Location of the utility point of receipt</li> <li>6. Location of the utility pipeline extension</li> <li>7. Identify publi right-of-way and private right-of-way for each component</li> <li>8. The location of the dairy digesters: existing, under development, and planned</li> </ol>
<input type="checkbox"/>	3	2.2.1c	<p>Provide project design documents, including schematics, figures, graphics and plans, must be submitted as part of the Application. Project designs must be approved by a licensed professional engineer. Details such as digester volume, solids and hydraulic retention times and mass balance through the digester must be included. Mass balance must be illustrated in an annotated diagram with the following components clearly indicated:</p> <ol style="list-style-type: none"> <li>1. Manure input rate (mass or gallons with estimated total solids)</li> <li>2. Digestate outflow rate (mass or volume with estimated total solids)</li> <li>3. Expected bio-gas flow with methane content estimate</li> </ol>
<input type="checkbox"/>	4	2.2.2f	Provide a diagram showing the expected pressure at various points in the biogas collection lines. Provide the type(s) of materials used to create the biogas collection lines.
<input type="checkbox"/>	5	2.2.3c	<p>Provide process flow diagrams for the central biogas conditioning and upgrading facility, include expected pressure of the biogas entering the central biogas conditioning and upgrading facility. Describe the design parameters for the biogas upgrading facility:</p> <ol style="list-style-type: none"> <li>1. Flow capacity</li> <li>2. Gas composition of feed gas</li> <li>3. Gas composition of product gas</li> <li>4. Heat and Material Balance</li> <li>5. Preliminary calculations</li> <li>6. Equipment data sheets</li> <li>7. Utility requirements</li> <li>8. Chemicals used (provide Safety Data Sheets)</li> </ol>
<input type="checkbox"/>	6	2.5.2	If a Pilot Project is being submitted by a project developer, a contractual agreement documenting project support from the dairy producer(s) must be included. Letters of commitment from team members demonstrating understanding of their participation and specific role(s) in the Pilot Project must also be included.

<input type="checkbox"/>	7	3.1.2	Provide balance sheet and cash flow statements for the past three (3) year for Applicant's firm and any other partners that have a substantial stake in the Pilot Projects, if available. Documents must be audited and certified by a Certified Public Accountant (CPA). If audited financial statements are not available by submission date, then financial statements certified by a CPA are acceptable.
<input type="checkbox"/>	8	3.1.3	Provide five-year pro forma financial statements for Applicant's firm and any other partners that have a substantial stake in Pilot Project, including projected balance sheet, income statement, cash flow statement, and debt service schedule for existing and planned long-term debt, if any. List assumptions, including but not limited to, market supply and demand conditions of the industry, market fluctuations, and monthly or quarterly fixed costs and variable costs.
<input type="checkbox"/>	9	3.1.4	Provide the Project Scoping and Cost Estimation. Applicant's estimated costs should include the following: Pipeline Infrastructure (include all Applicant and Utility owned infrastructure costs, biogas treatment facilities and collection lines and compression, point of receipt, pipeline lateral and Utility-owned compression pipeline extension, etc.), equipment (e.g., valves, meters, and protection devices), digester, conditioning facility, design, engineering, and installation costs. Within each job activity, cost should be broken down by labor, operation and maintenance, and each installed piece of equipment. At least two references to actual historical or current competitive cost data for similar work must be included to justify the cost for biogas collection line, conditioning equipment to remove hydrogen sulfide and water from the raw biogas, pipeline lateral, point of receipt, and pipeline extension. CPUC has the discretion to modify the cost estimation. An Applicant pursuing a phased approach to its project should include anticipated costs of all phases of the Pilot Project. The phased-approached cluster Pilot Project must include a signed lease and a feedstock agreement, not just a letter of interest or future addition. Include all Utility supporting documentation, reports, studies, etc. used to calculate Utility owned infrastructure costs.
<input type="checkbox"/>	10	3.1.12	Provide the Applicant's proposed schedule. The schedule should include the tasks identified in Attachment 9, the Project Scoping and Cost Estimation. CPUC has the discretion to modify the project schedule. An Applicant pursuing a phased approach to its project should include anticipated schedule of all phases of the Pilot Project. Include the permitting schedule (as described in section 7.1).
<input type="checkbox"/>	11	5.1.1	Provide supporting documents to support written explanation: Describe the Pilot Project's impact on NOx, other criteria pollutants, toxic air contaminants and hazardous air pollutants. Include all potential emission sources and how emissions would change before and after implementation of project.
<input type="checkbox"/>	12	5.3.2	Provide documents that support vehicle fuel sold to and utilized by freight transport vehicles along the State's major freight and transportation corridors (e.g., Interstate 5, State Route 99) or other locations.
<input type="checkbox"/>	13	5.3.3	Provide documents that verify any partnership with local delivery fleets (e.g. milk hauling, feed delivery) to convert diesel freight vehicles to natural gas vehicles and supply them with renewable compressed natural gas from a pilot injection project. These conversions will reduce NOx and diesel particulate matter of existing fleets.
<input type="checkbox"/>	14	5.3.4	Provide documents that verify contracts for the use of pipeline-injected renewable natural gas in electricity generation.
<input type="checkbox"/>	15	6.1.7	Provide support letters from community members and/or leaders demonstrating that outreach was conducted (at least 3).
<input type="checkbox"/>	16	7.0.2	Describe the proposed Pilot Project site and provide documentation and/or descriptions of site and equipment control. This includes any site control required for the Utility-owned Pipeline Infrastructure.
<input type="checkbox"/>	17	Specify section	[Provide description of attachment]

## EXHIBIT 2

### CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is made and entered into effective as of **March 17, 2018** ("Effective Date"), by and between **California Bioenergy LLC** located at **324 S. Santa Fe, Suite B, Visalia, CA 93292** ("Company"), and the **Southern California Gas Company**, a California corporation, located **at 555 W. Fifth Street, Los Angeles, CA 90013-1011** ("SCG").

In consideration of the mutual covenants herein, and the disclosures to be made in connection herewith, the parties agree as follows:

1. Company is considering engaging in developing multiple **biomethane pilot projects in connection with California Senate Bill ("SB") 1383, as further delineated in Schedule A**, that would connect with SCG's gas pipeline system ("Projects") in California and wishes to discuss with SCG certain aspects of the Projects and the possible future relationship of the parties concerning the Projects (the "subject matter"). Because of the competitive nature of the Projects and the subject matter, which may be discussed by the parties concerning the Projects, the parties agree to keep all subject matter identified in writing as "Proprietary Information" confidential. "Proprietary Information" shall mean any data, information, trade secrets or "know-how" that is proprietary to a Party, and not known to the Party receiving it or the general public as of the date hereof, which is disclosed in the course of dealings between the Parties in connection with this Agreement, in oral and/or written form. For the purposes of this Agreement, the party receiving Proprietary Information from a party in connection herewith is the "Receiving Party," and the party providing Proprietary Information to the other party hereunder is the "Disclosing Party". Any information designated by a party as Proprietary Information, if in tangible form, will be marked clearly as "Proprietary Information"; or if communicated orally, it must be identified in writing as "Proprietary Information" in reasonable detail within five (5) business days after disclosure. This Agreement does not require either Party to disclose any particular "Proprietary Information," or to disclose it in any particular form or format. No representation is made that any Proprietary Information disclosed is free from error, or suitable for any use or purpose. Company understands that as a California public utility company SCG is obligated to provide service in a non-discriminatory manner and this Agreement in no way prevents, restricts or limits SCG's discussions or relationships with other companies considering **interconnection** projects other than not disclosing the Proprietary Information of Company.
2. Except as otherwise provided in this Agreement, no part of the Proprietary Information may be disclosed or delivered to third parties or used by the Receiving Party for any purpose other than for the purpose stated in Paragraph 1 above, without the prior written consent of the Disclosing Party, which may be refused. Except as authorized in writing by the Disclosing Party, the Receiving Party shall not copy, disclose, or use the Disclosing Party's Proprietary Information or any part thereof and shall return to the Disclosing Party or destroy, upon the Disclosing Party's request, all Proprietary Information provided by the Disclosing Party in tangible form, and all copies, photographs, reproductions, and all other duplications thereof, including any summaries, extracts and other information derived from the Proprietary Information, regardless of the form of media.



3. The Receiving Party shall take all reasonable measures to prevent unauthorized disclosure of the Proprietary Information and shall restrict access to the Proprietary Information to those employees, or employees of Affiliates, who have a need to know in the course of their duties. If the Receiving Party finds it necessary for the purpose set forth in Paragraph 1 above to disclose to a subcontractor or agent any Proprietary Information, such subcontractor or agent shall first agree in writing to comply with the provisions of this Agreement. For purposes of this Agreement, "Affiliate" shall mean any company or legal entity which (a) controls either directly or indirectly a Party, or (b) which is controlled directly or indirectly by such party, or (c) is directly or indirectly controlled by a company or entity which directly or indirectly controls such party. Control means the right to exercise fifty percent (50%) or more of the voting rights in the appointment of the directors or similar representatives of such company or entity.
4. Notwithstanding any of the other provisions herein, SCG will not disclose any Proprietary Information disclosed pursuant to this Agreement to any of its Affiliates not regulated by the CPUC without the prior written consent of Company.
5. All Proprietary Information disclosed hereunder shall be and remain the exclusive property of the Disclosing Party. This Agreement shall not be construed to grant to the Receiving Party any license or other rights to the Proprietary Information except as specifically noted herein.
6. The obligations set forth in this Agreement shall not apply to information that the Receiving Party can establish is:
  - a. Information, which is in the public domain as of the date of this Agreement or which later, enters the public domain from a source other than the Receiving Party.
  - b. Information which the Receiving Party has written evidence of knowing prior to the execution of this Agreement.
  - c. Information which the Receiving Party receives from a bona fide third party source not under any obligation of confidentiality.
  - d. Information approved for release by the Disclosing Party in writing.
  - e. Information, which is required by law (e.g., court order or governmental agency subpoena) to be disclosed. If either Party or any of its Representatives is required by applicable law, regulation or legal process (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Proprietary Information provided to it under this Agreement, such Party or its Representative will promptly notify the other Party of such requirement so that it may seek an appropriate protective order or elect, in its sole discretion, to grant a waiver of compliance with the provisions of this Agreement. If, in the absence of a protective order or the receipt of a waiver hereunder within a reasonable time after such notice, a Party or any of its Representatives is, in the reasonable opinion of such Party, compelled to disclose any Proprietary Information, then the disclosing Party may disclose only such of the Proprietary Information to the person

compelling disclosure as is required by law. The Party being forced to disclose any Proprietary Information will provide all commercially reasonable assistance to enable the other Party to obtain a protective order or other reliable assurance that the Proprietary Information will be accorded confidential treatment.

7. Notwithstanding anything to the contrary set forth herein:
  - a. Either Party may disclose to any governmental entity (including a court) or its representatives or other persons as required by such entity, the tax treatment and tax structure of any transaction arising at any time in connection with this Agreement or related hereto, as well as all materials provided to either Party of any kind (including opinions or other tax analyses) relating to the tax treatment or tax structure of such transaction.
  - b. SCG may provide Company's Proprietary Information to the California Public Utilities Commission ("CPUC") pursuant to Public Utilities Code Section 583, regardless whether the Company Confidential Information is formally requested and without notice to Company.
  - c. Company may provide SCG's Proprietary Information to the CPUC solely in connection with Company's submission to the CPUC of Company's application in response to the 2018 Solicitation for SB 1383 Dairy Pilot Projects, *provided* that, concurrently with such submission, Company shall satisfy the CPUC's administrative processes for submission of confidential information, as set forth in CPUC General Order No. 66-D.
8. If the Receiving Party breaches or defaults in the performance of any of its covenants contained herein or violates any of the restrictions set forth herein, the Disclosing Party shall be entitled to all remedies available at law or in equity. The parties acknowledge that the Proprietary Information is valuable and unique, and that damages would be an inadequate remedy for breach of this Agreement and the obligations of each party and its Representatives are specifically enforceable. Accordingly, the parties agree that in the event of a breach or threatened breach of this Agreement by either party, the disclosing party shall be entitled to seek an injunction preventing such breach, without the necessity of proving damages or posting any bond. Any such relief shall be in addition to, and not in lieu of, money damages or any other available legal or equitable remedy.
9. If either party employs attorneys (in-house and/or outside counsel) to enforce any rights arising out of or related to this Agreement, the prevailing party in such matter (as determined by the court) shall be entitled to receive its reasonable attorneys' fees, costs and disbursements.
10. This Agreement shall begin on the Effective Date and continue for period of two (2) years from the date of the last disclosure of Proprietary Information in connection herewith.
11. Neither this Agreement, nor the disclosure of Proprietary Information under this Agreement, nor the ongoing discussions and correspondence by the parties regarding the subject matter of this Agreement, shall constitute or imply any

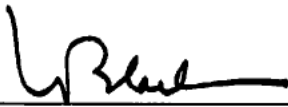
promise or intention to make any purchase or use of the services, products, facilities, real property or other assets of either party, or any commitment by either party with respect to any other present or future arrangement. If, in the future, the parties elect to enter into binding commitments relating to any of the matters stated herein, they must be stated in a separate executed written contract by the parties.

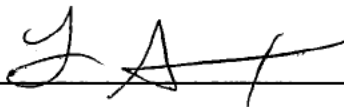
12. This Agreement shall be governed by and construed under the laws of the California, without reference to any principles on conflicts of laws. Any dispute between the parties arising under this Agreement shall be litigated solely in the state or federal courts located in the County of Los Angeles, State of California.
13. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior discussions, communications and agreements, both oral and written. This Agreement shall not be amended or modified except by an agreement or amendment in writing signed by both parties, and shall not be modified by course of performance, course of dealing, or usage of trade. No waiver of any right under this Agreement shall be deemed a subsequent waiver of the same right or any other right. To be effective, any waiver of the provisions hereof shall be in writing.

The authorized signatories of the parties have executed this Confidentiality Agreement as of the Effective Date.

**California Bioenergy LLC.**

**SOUTHERN CALIFORNIA GAS COMPANY**

By:   
Name: Neil Black  
Title: President  
Date: 4-27-18 as of 3-17-18

By:   
Name: Lisa Alexander  
Title: VP - Cust Sol, Comm & Env Sty  
Date: 4/30/18



**CalBioGas North Visalia LLC**

Attachment A: California Producer Interconnection Agreement for SB 1383 (Form 6454)

CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT for SB 1383  
DAIRY PILOT PROJECT  
between  
CalBioGas North Visalia LLC  
and  
SOUTHERN CALIFORNIA GAS COMPANY

This CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into by and between CalBioGas North Visalia LLC, a California Limited Liability Company, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this 26<sup>th</sup> day of February 2019. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

**RECITALS**

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1(c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Interconnector has constructed or intends to construct and will operate its pipeline facilities to an Interconnection Point specified in Exhibits A and B attached hereto and incorporated herein by this reference (hereinafter referred to as “Interconnection Point”); and

WHEREAS, SoCalGas may construct facilities at the Interconnection Point subject to and conditioned upon the execution of a California Producer Interconnect Collectible System Upgrade Agreement with Interconnector concerning such facilities, terms of construction and cost responsibility for such facilities consistent with CPUC rules and regulations and attached as Exhibit C; and

WHEREAS, Senate Bill (“SB”) 1383 requires the CPUC, in consultation with the California Air Resources Board (“ARB”) and the California Department of Food and Agriculture (“CDFA”) (collectively, the “Selection Committee”), to direct utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys including the North Visalia – California Bioenergy project herein; and

WHEREAS, the Parties desire to provide such facilities for the delivery to and receipt of natural gas by the SoCalGas system as set forth in this Agreement.

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

**SECTION 1**  
**SCOPE OF AGREEMENT**

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to provide facilities for the Interconnect Capacity from Interconnector's pipeline facilities near [REDACTED] in Visalia, California to SoCalGas' existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector's Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to this Agreement and a California Producer Operational Balancing Agreement ("CPOBA") between the Parties, for the account of Interconnector or Interconnector's affiliate or third parties for transport on SoCalGas' pipeline system in California. This Agreement does not provide for or address in any way any right of Interconnector to receive transportation services on SoCalGas' system from the Interconnection Point. Attached hereto as Exhibit A, and incorporated by reference herein, is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B and incorporated by reference herein.

(b) Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in CPOBA, is effective as of the date first written above and shall remain in effect for a primary term of twenty (20) years from the date Gas first flows through the Interconnection Point (the "Commencement Date") and year to year thereafter.

(i) Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement including all costs for removal of SoCalGas' Facilities at the Interconnection Point and restoration of the site to its condition prior to the construction of the Interconnection Point.

(ii) SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector or in the event of a material default by Interconnector upon sixty (60) calendar days following Interconnector's receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

(iii) SoCalGas may terminate this Agreement on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete Interconnector's Facilities or SoCalGas' Facilities is not completed on or before [REDACTED] Interconnector may terminate this Agreement with respect to only the Incremental Capacity on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete

Interconnector's Facilities for Incremental Capacity is not completed on or before [REDACTED].

(c) Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

(i) "SoCalGas' Facilities" shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, including Btu district additions and enhancements, Biomethane Compression facilities, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the State of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) "CPUC" shall mean the Public Utilities Commission of the State of California.

(iii) "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas' tariffs, rules and other applicable regulations.

(iv) "In-Service Date" is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) "Interconnect Capacity" shall be the Biomethane Compression, metering and odorization daily capacity of SoCalGas' Facilities but is not necessarily the capacity of SoCalGas' pipeline facilities to transport Gas away from the Interconnection Point and is not, nor is it intended to be, any commitment by SoCalGas of takeaway capacity. The Interconnect Capacity shall be a minimum and maximum of [REDACTED] thousand Standard cubic feet per day (MScfD), respectively, unless changed by the written mutual agreement of the parties<sup>1</sup>. The Interconnect Capacity is the sum of Pilot Project Maximum Capacity and any Incremental Capacity volumes.

(vi) "Interconnection Point" shall mean that point where SoCalGas' Facilities and Interconnector's Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

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<sup>1</sup> SoCalGas' Facilities, except for the Compression Facility, have been designed for a maximum flow rate of [REDACTED] MScfD. CalBioGas North Visalia LLC anticipates increasing the maximum flow rates, if it signs up new dairies, to [REDACTED] MScfD by adding a compressor and would execute and fund the CPICSUA to accomplish this.



(vii) “Interconnector’s Facilities” shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by an Interconnector up to the Interconnection Point.

(viii) “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate CPOBAs or another separate agreement governing access to SoCalGas' system.

(ix) “Decision” shall refer to CPUC Decision 17-12-004.

(x) “Pilot Project” shall mean the Selection Committee North Visalia – California Bioenergy project awarded through the SB 1383 Dairy Pilot Project proceeding R. 17-06-015.

(xi) “Pilot Project Capacity” shall be the average of nine hundred thirty-seven (937) MScfD biomethane capacity to be delivered to the utility for pipeline injection as specified in the Selection Committee North Visalia – California Bioenergy project awarded through the SB 1383 Dairy Pilot Project proceeding R. 17-06-015.

(xii) “Pilot Project Maximum Capacity” shall be the maximum flow rate of [REDACTED] MScfD biomethane capacity

(xiii) “Incremental Capacity” shall be [REDACTED] MScfD that is in addition to the Pilot Project Maximum Capacity and is based on dairies, collection lines and digesters that aren't part of the Pilot Project Capacity.

(xiv) “Incremental Capacity Cost” shall be the expenditures/investments related to the initial (Exhibit C, CPICSUA) interconnection of Interconnector’s Facilities to SoCalGas’ Facilities and subsequent Subsection 3 (b) Maintenance of Physical Facilities that are above and beyond those costs that would be incurred for the Pilot Project Maximum Capacity. SoCalGas shall determine the estimated and actual Incremental Capacity Cost generally on the principle that the Incremental Capacity would not increase costs and expenses unless larger size materials, than those required for the Pilot Project Maximum Capacity, are required to accommodate the Incremental Capacity. If larger materials are required, the Incremental Capacity Cost would increase material costs but not construction costs. The estimated Incremental Capacity Cost will be based on the difference between the estimated cost for the Pilot Project Maximum Capacity and the Interconnect Capacity. The actual Incremental Capacity cost will be calculated based on the actual costs of equipment and materials relative to the estimated costs and allocated on a proportional basis. For example, if the estimated Pilot Project Maximum Capacity and Interconnect Capacity material costs are \$80.00 and \$100.00, respectively, the estimated Incremental Capacity Cost is \$20.00 ( $\$100.00 - \$80.00 = \$20.00$ ). If the actual material costs are \$110.00, then the actual Pilot Project Maximum Capacity and Incremental Capacity costs are \$88.00 ( $\$110.00 * 80/(80+20)$ ) and \$22.00 ( $\$110.00 * 20/(80+20)$ ), respectively. Incremental Capacity operation and maintenance fees will be determined per Subsection 3(a) herein

(xv) “Pilot Project Term” shall be the primary term stated in Subsection 1 (b) herein.

(xvi) “Biomethane Compression” shall be the compression facilities at the outlet of Interconnector’s biogas conditioning facilities used to compress biomethane including units, valves, basic and advanced controls, for multiple modes of operation, etc.

(d) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector’s Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas’ sole opinion could reasonably raise a question regarding SoCalGas’ retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

## **SECTION 2** **CONDITIONS PRECEDENT**

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Governmental Authorizations:

(i) Interconnector: - On or before [REDACTED], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction, if any, and December 31, 2021 for operation of Interconnector’s Facilities.

(ii) SoCalGas: On or before commencement of flows through the Interconnection Point, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) the proper approvals required for SoCalGas to dispense its duties under this Agreement from any other governmental or local agency, if necessary in SoCalGas’ sole judgment.

(c) Interconnector Project Readiness – Prior to SoCalGas incurring significant costs by the procurement of materials and constructing SoCalGas’ Facilities, Interconnector must demonstrate project readiness by providing proper documentation to show compliance with each of the requirements set forth in Exhibit D.

(d) Notification - Each Party shall notify the other in writing whenever in its sole opinion the foregoing conditions in Subsection 2(b) have been satisfied. Interconnector shall retain

the right to waive in writing conditions 2(b)(ii), and SoCalGas shall retain the right to waive in writing conditions 2(b)(i).

(e) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such forty-fifth (45th) day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(f) Cooperation - Each Party shall cooperate with the other Party as is reasonable under the circumstances, and keep the other Party advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

### **SECTION 3**

#### **OPERATION AND MAINTENANCE FEES**

(a) Fees – Interconnector shall pay, except for the Pilot Project Capacity during the Pilot Project Term, to SoCalGas each month an Operation and Maintenance Fee (“O&M Fee”), as determined from time to time by SoCalGas, associated with the operation and maintenance of the Biomethane Compression, metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas’ normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS, except for the Biomethane Compression costs.

(i) During the Pilot Project Term SoCalGas shall record and allocate the Pilot Project Capacity O&M Fee pursuant to the Decision.<sup>2</sup>

(ii) Incremental Capacity Costs - SoCalGas shall bill the Interconnector for the variable or usage costs that exceed the costs SoCalGas would not incur because of the Pilot Project Capacity. Typically, this would include odorant and Biomethane Compression variable costs.

1) Odorant Variable Costs – SoCalGas shall bill the Interconnector for the marginal usage or variable costs as follows: once the cumulative, actual delivery volume exceeds the Pilot Project Capacity 342,005 MScf annual volume on a calendar year basis (937 MScfD times 365), in the month following, and for all succeeding months in the calendar year, all costs shall be billed to the Interconnector. This calculation will restart each January 1.

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<sup>2</sup> (D.)17-12-004, Appendix A, page 11, paragraph 1.

2) Biomethane Compression Variable Costs – SoCalGas shall bill the Interconnector for the marginal usage or variable costs as follows: once the cumulative, actual delivery volume exceeds the Pilot Project Capacity 342,005 MScf annual volume on a calendar year basis (937 MScfD times 365), in the month following, and for all succeeding months in the calendar year, all costs shall be billed to the Interconnector. This calculation will restart each January 1

(iii) Biomethane Compression Costs – SoCalGas will track and record the costs to compress the renewable natural gas. The two cost components to operate compression equipment include: 1) electrical charges from the local electric utility, and 2) on-going equipment maintenance (e.g. - periodic inspections, drain and replace fluids, remove and replace filters, mechanical adjustments, periodic rebuilds, recordkeeping, etc.). SoCalGas shall bill the Interconnector for the Biomethane Compression costs except for the Pilot Project Capacity during the Pilot Project Term. During the Pilot Project Term, Incremental Capacity Biomethane Compression costs shall be billed per Subsection 3 (a) (ii) 2.

(iv) Electrical Service and Electricity Costs – Interconnector shall work with the electric utility to plan, coordinate and install an electrical drop to provide electrical service to SoCalGas' Facilities. Such work will be managed and funded by the Interconnector. SoCalGas will be the customer of record for a dedicated meter providing electrical service to SoCalGas' Facilities. Interconnector will provide all associated transformers, switchgears, and other electrical equipment necessary to provide SoCalGas with the necessary electricity to receive all biomethane from the Interconnector's Facilities. SoCalGas will be responsible for all electrical installation within SoCalGas' Facilities.

(v) After the Pilot Project Term - Interconnector shall pay to SoCalGas each month an O&M Fee, as determined from time to time by SoCalGas, associated with the operation and maintenance of the Biomethane Compression, metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas' normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS, except for the Biomethane Compression costs which will be separately billed based on actual costs, unless and until Schedule No. G-CPS includes these costs.

(b) Maintenance of Physical Facilities – At the Interconnection Point where SoCalGas owns and operates the Biomethane Compression, metering equipment and other related facilities, SoCalGas (i) shall have the right to replace or upgrade from time to time such equipment as is necessary to measure, regulate, odorize, monitor, control or otherwise effectuate deliveries of Gas volumes up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment necessary to transmit electronic measurement data on a current basis; (ii) shall install, at Interconnector's sole cost and expense and after giving notice to Interconnector, except during the Pilot Project Term, such additional equipment either new or upgraded from time to time, as it deems necessary in its sole judgment to have the capability to receive at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment to receive electronic measurement data and equipment to odorize the Gas received at the Interconnection Point. The Interconnector shall have the right to review and

to propose reasonable changes to any SoCalGas proposal or request to upgrade, replace, or enhance existing equipment so long as the Interconnector's proposed changes meet industry and SoCalGas' standards and applicable codes and do not delay implementation nor jeopardize timely safety and code compliance. SoCalGas is, however, under no obligation, expressed or implied, to accept such proposed changes. Disputes will be brought before the CPUC's Energy Division, which will resolve the issue in consultation with the CPUC's Consumer Protection and Safety Division.

(i) During the Pilot Project Term:

1) Pilot Project Capacity cost and expense shall be funded pursuant to the Decision and Incremental Capacity Cost differentiated from Pilot Capacity Cost as provided herein.

2) Incremental Capacity – Interconnector shall fund Incremental Capacity costs as provided herein.

(ii) Outside of the Pilot Project Term - all costs, Project and Incremental Capacity, shall be at Interconnector's sole cost and expense per Subsection 3(b) herein.

(c) Statements - Statements and/or invoices shall be sent to Interconnector as set forth in Rate Schedule No. G-CPS plus Biomethane Compression costs as set forth herein, except for the Pilot Project Capacity costs during the Pilot Project Term.

#### **SECTION 4** **GAS DELIVERIES**

(a) Quality

(i) Right of Refusal: SoCalGas shall have the continuing right at any time in its sole discretion to monitor the quality of Gas tendered by Interconnector and, subject to the limitations stated in D.07-08-029 and D.10-09-001, to refuse to accept delivery of any Gas that does not meet SoCalGas' Gas quality specifications, including its then current Tariff Rule 30 Gas quality specifications or other applicable regulation or Tariff Rule specifying Gas quality requirements or CPUC-approved specific deviation for the Interconnector. SoCalGas shall provide notice to Interconnector as soon as commercially practicable after any decision is made not to accept deliveries.

(ii) Gas Quality Monitoring and Enforcement: SoCalGas shall install, operate and maintain Facilities at Interconnector's sole cost and expense, including necessary meters and equipment, identified in Exhibit A of Schedule No. G-CPS plus the Biomethane Compression facilities, for the purpose of compressing, measuring the volume and quality of all Gas delivered to SoCalGas, except during the Pilot Project Term.

1) Pilot Project Term - During the Pilot Project Term, Pilot Project Capacity cost and expense shall be funded pursuant to the Decision as set forth herein.

2) Incremental Capacity – If Interconnector elects and SoCalGas agrees to install Incremental Capacity, Interconnector shall provide measurement data to differentiate Incremental Capacity and Pilot Project Capacity biogas contributions for the purposes of determining each capacity’s individual compliance with the Pilot Project Capacity and any applicable SoCalGas Rule 39 monetary incentive biomethane flow requirements. The measurement shall be designed, installed and maintained pursuant to good industry practice.

Unless another methodology is otherwise agreed to by SoCalGas, in its sole discretion, Interconnector shall provide SoCalGas with the Pilot Project Capacity total and Incremental Capacity total biogas hourly measurements, typical methane mole percent composition and the typical percent methane processing or bio-conditioning efficiency. For example, with a Pilot Project Capacity and Incremental Capacity biogas volumes of 80 and 20 MScfH, each containing 60% methane mole percent and a 99% processing efficiency, the Pilot Project Capacity and Incremental Capacity biomethane content would be 47.5 and 11.9 MScfH ( $80 * 60\% * 99\% = 47.5$  MScfH Pilot Project Capacity and  $20 * 60\% * 99\% = 11.9$  MScfH, respectively).

(iii) Change in Specifications: Nothing in this Agreement shall be deemed to prohibit Interconnector from challenging or seeking to modify any Gas quality specifications. If both Parties mutually agree to a deviation from the Gas quality tariff specifications or requirements for purposes of this Agreement, SoCalGas shall seek and obtain CPUC approval of such deviation by Advice Letter prior to incorporating and implementing such deviation as part of this Agreement.

(b) Uniform Flow - Interconnector shall to the extent feasible make deliveries of Gas at each of the Interconnection Point(s) at substantially uniform rates of flow during a particular flow day. If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service, if in the Utility’s opinion receipt of such gas would jeopardize other operations, until such time appropriate actions have been taken to ensure compliance with this provision.

(c) Pressure - Interconnector shall deliver Gas to SoCalGas at the Interconnection Point at a delivery pressure sufficient to enter the SoCalGas system, but not more than the then current Maximum Allowable Operating Pressure (“MAOP”) of SoCalGas’ Facilities. SoCalGas shall provide the Interconnector with as much advance notice as is reasonably possible, but not less than ninety (90) calendar days’ notice for an increase in Interconnector’s maximum delivery pressure requirement and shall provide as much advance notice as is reasonably possible, but not less than forty-five (45) calendar days’ notice for a decrease in minimum delivery pressure requirement. Changes in Interconnector’s delivery pressure requirements resulting from force majeure events, emergency situations, or as a result of pipeline integrity inspections shall be exempt from these notification requirements. In the event the Interconnector cannot comply with the changes to maximum or minimum delivery pressure requirements within the above notice periods, the Interconnector shall inform SoCalGas of the reason for the delay ahead of time. If the reason for the delay in complying with the change in maximum or minimum delivery pressure requirement is reasonable, SoCalGas may, in its sole discretion, extend the date for complying with such change in delivery pressure requirements. If the reason for the delay is unreasonable, SoCalGas may

proceed with the pressure change. Any dispute concerning SoCalGas' action concerning the notice period may be brought to the CPUC's attention pursuant to this Agreement.

(d) Metering – SoCalGas shall install equipment necessary to measure deliveries from Interconnector at the Interconnect Point. Interconnector may install or cause to be installed and operate check meters at its sole option and expense to check SoCalGas' meters, but measurement of Gas for all purposes of and at all times under this Agreement shall be by SoCalGas' meters. Any such check meters and equipment shall be installed so as not to interfere with the operation of the meters, measuring and any other equipment now existing or later installed by SoCalGas.

(e) Meter Maintenance – SoCalGas will perform scheduled meter accuracy testing and calibration of its metering facilities pursuant to SoCalGas' standard practices, procedures and methods associated with the installed measurement equipment. The meter maintenance, testing and correction shall comply with the American Gas Association (AGA) Report 4A, Sample Contract Measurement Clause, Meter Facilities and applicable CPUC requirements. SoCalGas will also inspect/calibrate Gas meters to ensure conformance with manufacturer's stated accuracy in a field application, where such conformance does not conflict with applicable local code ordinances or regulatory requirements. SoCalGas shall preserve the meter maintenance records for a period of at least three years. Interconnector or its duly authorized representative(s) shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with SoCalGas' measuring equipment used in measuring deliveries from Interconnector to SoCalGas. SoCalGas shall give written, fax, or electronic mail notice to Interconnector prior to calibrating and testing. Except in the event of an emergency or operational necessity, such notice shall be given to Interconnector at least three (3) business days prior to any such activity. The records from such measuring equipment shall remain the property of SoCalGas, but upon request SoCalGas shall make available to Interconnector (and its representatives) copies of any such records and charts, together with calculations therefrom, for inspection and verification during normal business hours. SoCalGas will perform unscheduled and episodic tests of its measuring equipment upon Interconnector's request, where such tests can be operationally executed, to verify metering integrity/accuracy. SoCalGas will perform such testing in a reasonable timeframe. If, as a result of any testing, it is determined that there has been a combined (meter and transmitters) error in measurement greater than one percent (1%) from National Institute of Standards and Technology (NIST) traceable secondary field standard(s), the Parties will adjust all prior periods back to the period where it can be mutually determined and agreed upon that the errors commenced. If such an agreement cannot be reached, then SoCalGas shall estimate the Gas deliveries and correct the reading to a zero (0) error for the period during which the meter was in use. In all cases of meter error, period adjustments for meter error may not exceed three years prior to the date on which the discovering party provides notice to the other party. When a Gas meter is calibrated/inspected, SoCalGas shall confirm, where applicable, that the meter accuracy/condition is within the meter manufacturer's specifications for a field application and meets CPUC accuracy verification requirements. SoCalGas shall conduct such calibration and confirmation by using its NIST-traceable equipment, also known as its secondary field standards. If any Interconnector's request for special calibration shows that the combined measurement error does not exceed one percent (1%), then the cost of such requested special calibration shall be borne by Interconnector. In the event that any test of

the metering equipment yields a combined measurement error greater than one percent (1%), then the cost of such requested special test and subsequent calibration shall be borne by SoCalGas.

(f) Measurement Accuracy - The accuracy of all measuring equipment shall be verified and/or calibrated by SoCalGas according to SoCalGas' recommended equipment maintenance schedules and using NIST traceable secondary standard equipment and transfer proving devices. Where meter manufacturer's accuracy specifications and methods meet or exceed SoCalGas procedures and CPUC requirements for accuracy, SoCalGas will endeavor to provide calibration accuracy methodology and frequency conformance to such specifications. Electronic transmitters shall be calibrated if any verification/calibration point is found to be out of calibration in excess of plus or minus one-tenth of one percent ( $\pm 0.10\%$ ) of NIST traceable field calibration standards. Additionally, transmitters shall be calibrated if a bias occurs in a single direction (either positive or negative) for a consecutive period of three (3) months (transmitters shall be calibrated, to remove this bias, in the third (3<sup>rd</sup>) month of this period). All electronic transmitter verifications and calibrations shall meet or exceed the requirements defined in applicable API and AGA standards and publications. SoCalGas reserves the right to adopt and migrate to revisions of such standards in a manner which is logistically practical and economically cost-effective for its operations, and which affords Interconnector the same consideration. SoCalGas will provide Interconnector six (6) months notice where such changes may impact operations, equipment energy calculations and/or costs. Conversely, SoCalGas will not contemporaneously adopt the latest revision to such standards at Interconnector's request or as any statutory interpretation of this Agreement without careful consideration of the foregoing. Where migration to standards revisions requested by Interconnector results in incremental SoCalGas equipment, processes, data systems, employee training or other resource allocations, Interconnector shall provide SoCalGas funding for any and all migration and implementation costs. SoCalGas shall make available to Interconnector on as current basis as reasonably feasible any electronic measurement data if compatible with Interconnector's electronic files (not "hard copy") that SoCalGas obtains related to Gas delivered at the Interconnection Point. The Parties recognize the value of implementing utilization of electronic measurement devices (to the extent they are recognized in the Gas industry as dependable, accurate and cost effective) and shall jointly cooperate to implement the installation of such devices, and sharing the data therefrom, to provide as current measurement information to each other as reasonable under the circumstances; however, no particular electronic measurement device or method of sharing of electronic data therefrom (on a real time basis or otherwise) shall be required unless mutually agreed. Each Party shall be responsible for the cost, compatibility and operation of its own measurement-related electronic systems.

(g) Measurement Calculation - The Mcf and Btu values determined by SoCalGas shall be utilized for the calculation of deliveries of Gas to SoCalGas, subject to any subsequent adjustments as provided above. Calculation of metered Gas volumes shall be performed in accordance with the most recent version of the applicable AGA standards and SoCalGas' measurement and billing procedures. The determination of Gas components shall be completed utilizing a Gas chromatograph approved by the CPUC and SoCalGas that will be linked to the flow-measuring device (completing real-time volume and energy calculations).

(h) Odorant - In the event that Gas delivered by Interconnector at the Interconnection Point is required by SoCalGas to be odorized, the odorant shall be a commercially available



odorant blend agreed to by SoCalGas and the odorant concentration shall conform to DOT 192.625 and as otherwise required by SoCalGas. Interconnector shall provide SoCalGas a minimum of thirty (30) calendar days written notice prior to making any changes in the quality or quantity of odorant in the Gas stream.

(i) Suspension of Deliveries/Receipts –

(i) Either Party may suspend deliveries or receipts immediately, and at any time, in the event that:

1) there is any system or pipeline operations or other action or inaction, that could impair the safety or reliability of either Party's facilities or systems, or could impair the deliverability of the Gas to be delivered through the Interconnection Point, or would constitute a material default of this Agreement,

2) there is no CPOBA in effect governing the resolution of imbalances between the quantities of Gas confirmed and scheduled, and the quantities of Gas delivered, to the Interconnection Point, or

3) the CPUC, or any other administrative agency with jurisdiction over the subject matter hereof, materially changes, alters or modifies this Agreement, such that a Party is deprived of its benefits anticipated herein.

(ii) The Party suspending deliveries or receipts will provide notice to the other Party of such suspension and the cause, to the extent identifiable, as soon as commercially reasonable. In the event such suspension continues for a period of six (6) months without either resolution of the underlying situation, or a mutually agreed upon written plan of resolution, either Party may terminate this Agreement at any time thereafter upon providing an additional thirty (30) calendar days written notice.

## **SECTION 5** **ASSIGNMENT**

(a) Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(i) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(ii) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(iii) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

**SECTION 6**  
**NOTICES**

(a) Form of Notice - All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

**Interconnector:**

Mailing Address: CalBioGas North Visalia LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Email Address: [REDACTED]  
[REDACTED]

**SoCalGas:**

Mailing Address: Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
559-739-2307  
Attn: Ty Korenwinder

Email Address: [tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

**SECTION 7**  
**LIMITED WARRANTY**

(a) SoCalGas Services - SoCalGas warrants to Interconnector that any work performed by SoCalGas hereunder will meet or exceed all generally accepted industry standards for this type

of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work. Interconnector disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

## **SECTION 8** **INDEMNITY**

(a) Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

(b) Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

## **SECTION 9** **DISPUTE RESOLUTION**

(a) Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any

such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

## **SECTION 10** **MISCELLANEOUS**

(a) Choice of Law - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

(c) Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) herein.

(d) Entire Agreement - This Agreement, the California Producer Interconnect Collectible System Upgrade Agreement for SB 1383 Dairy Pilot Project, the SB 1383 Dairy Pilot Project Funding Agreement, the CPOBA and the Confidentiality Agreement (effective date March 17, 2018) between the Parties (the "Project Agreements") constitute the entire agreement between the Parties pertaining to the subject matter hereof, and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one of more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

(e) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(f) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity

or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

(g) Credit –

(i) Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

(ii) SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

(iii) In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

(iv) The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume creditworthiness on behalf of the Interconnector in accordance with the following provisions:

1) SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the "Guaranty") from the Guarantor.

2) The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector's creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 10(g)(v) is not received within fifteen (15) calendar days of SoCalGas' notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

(v) In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall

accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector's Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by the Natural Gas Intelligence ("NGI") (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

(h) No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

(i) Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

(j) Attorneys' Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

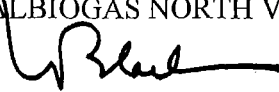
(k) Regulation - This contract shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction.

(l) Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2(a), 2(b), 2(c), and so on.

(m) Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 7, 8 and 10 shall survive.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their authorized representatives as of the day and year first written above.

CALBIOGAS NORTH VISALIA LLC

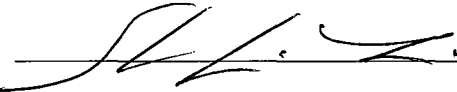
  
\_\_\_\_\_

By: Neil Black

Title: President

Date: 02-28-19

SOUTHERN CALIFORNIA GAS COMPANY

  
\_\_\_\_\_

By: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019

**EXHIBIT A: INTERCONNECTOR'S FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between  
CalBioGas North Visalia LLC  
and  
Southern California Gas Company  
Dated: February 26, 2019

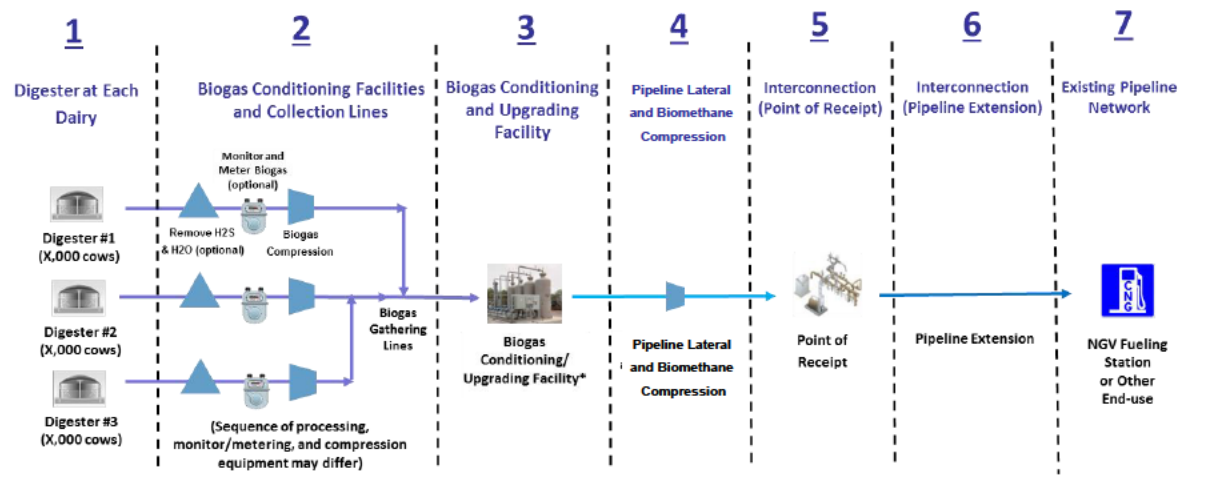
Interconnector's Facilities include the Gas pipeline facilities from the outlet of Interconnector's gas processing facilities located at or near [REDACTED] in Visalia, California up to the Interconnection Point generally located on or near the property.

Interconnector shall ensure that all Interconnector Facilities are designed, installed, and tested per all applicable laws, regulations, codes and standards ("Applicable Laws") including, but not limited to the following:

- All applicable ASME piping standards
- All applicable State, County and City codes and standards
- All applicable US Federal and State of California, Occupational Safety and Health Administration (OSHA) Standards and Regulations
- As otherwise required in the Decision

Interconnector's upstream facilities shall be designed and operated in such a manner that they do not over pressure or otherwise exceed the maximum allowable operating pressure of SoCalGas' Facilities and meet the [REDACTED] psig minimum suction pressure of SoCalGas' Biomethane Compression.

Facilities upstream of Interconnector's Facilities include the collection pipelines and processing systems are generally described and depicted below in lanes or columns 1-3:



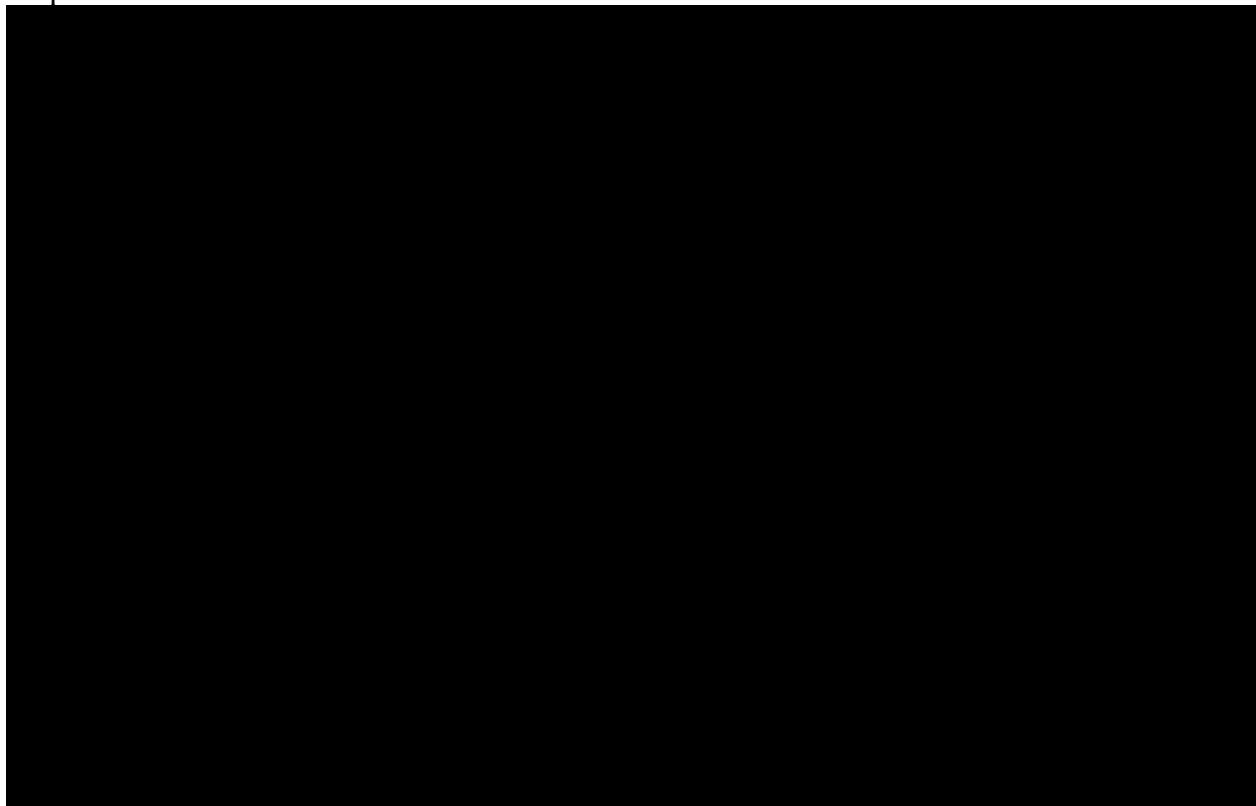


Covered lagoon digesters at various local dairies digest dairy manure to generate biogas that is pre-treated at each dairy to remove some gas constituents and transported to biogas cleanup equipment at Interconnectors centralized facility where the gas goes through further processing to meet SoCalGas Rule 30 gas quality specifications. The Rule 30 compliant processed gas / biomethane is delivered to SoCalGas' Biomethane Compression.

The local dairies supplying biogas to deliver the volume for the Pilot Project Capacity are as follows, based on estimated Manure Equivalent Milkers and estimated average Biomethane production levels, and any not listed are deemed to support Incremental Capacity:

<u>Dairy</u>	<u>Estimated Manure Equivalent Milkers</u>	<u>Estimated Biomethane (MScfD)</u>
Double J Dairy		
Jacobus De Groot Dairy		
Mellema Dairy		
Milky Way Dairy		
Mineral King Dairy		
Rancho Sierra Dairy		
Rob Van Grouw Dairy		
Total		

Map of local dairies:



**EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

CalBioGas North Visalia LLC

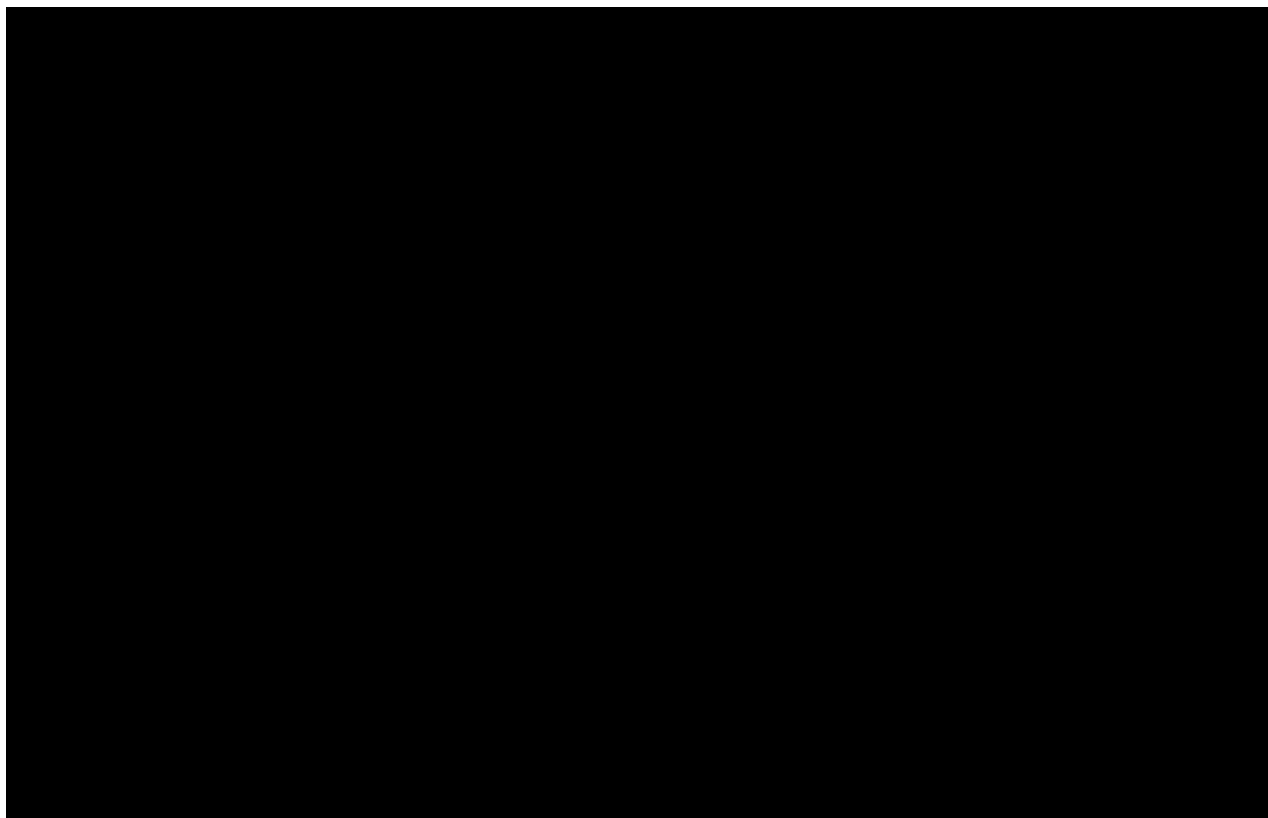
and

Southern California Gas Company

Dated: February 26, 2019

SoCalGas' Facilities, identified as Orifice Meter \_\_\_\_\_ (OM \_\_\_\_\_), are owned and operated by SoCalGas and include the Gas pipelines, Biomethane Compression, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system as generally depicted in the Meter Set Assembly for North Visalia Interconnect Project diagram below and Schedule G-CPS Exhibit A (plus the Biomethane Compression).

The Interconnection Point and SoCalGas' Facilities start on Interconnector's property, at or near \_\_\_\_\_, in Visalia, California as generally shown below, and connect to SoCalGas' Biomethane Compression facility whose Maximum Operating Pressure ("MOP") is \_\_\_\_\_ psig. The biomethane will flow into SoCalGas' Supply Line 38-533.

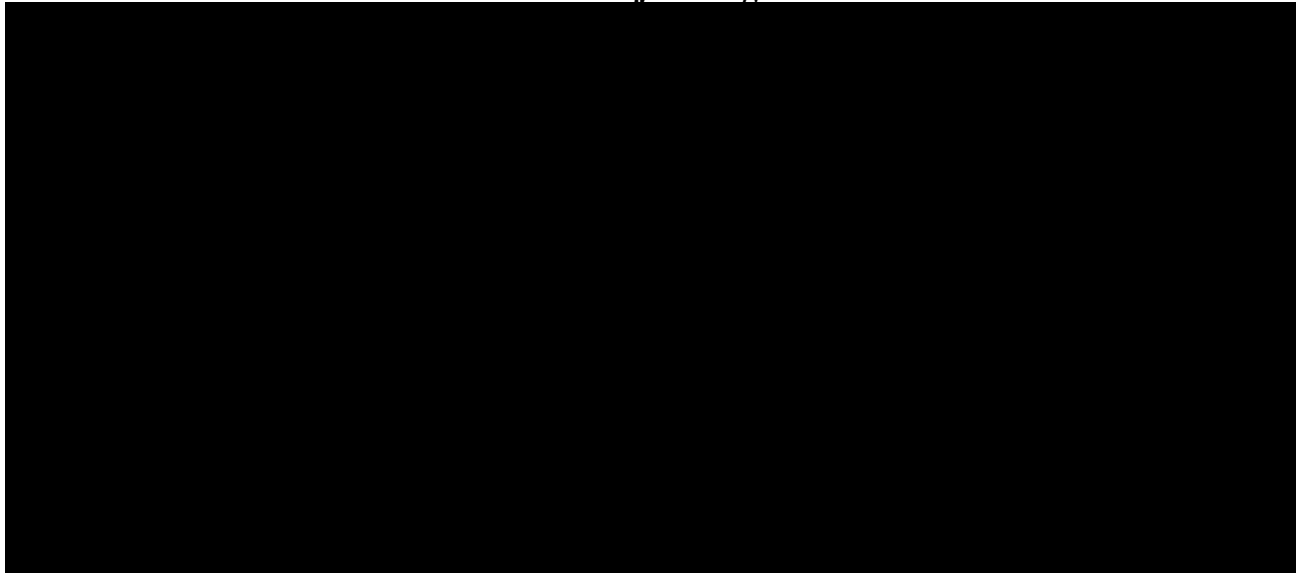


Interconnection Point will be an electronically isolated flange at the end of Interconnector's Facilities and SoCalGas' Facilities inlet piping as generally depicted in the North Visalia Interconnect Project diagram below.

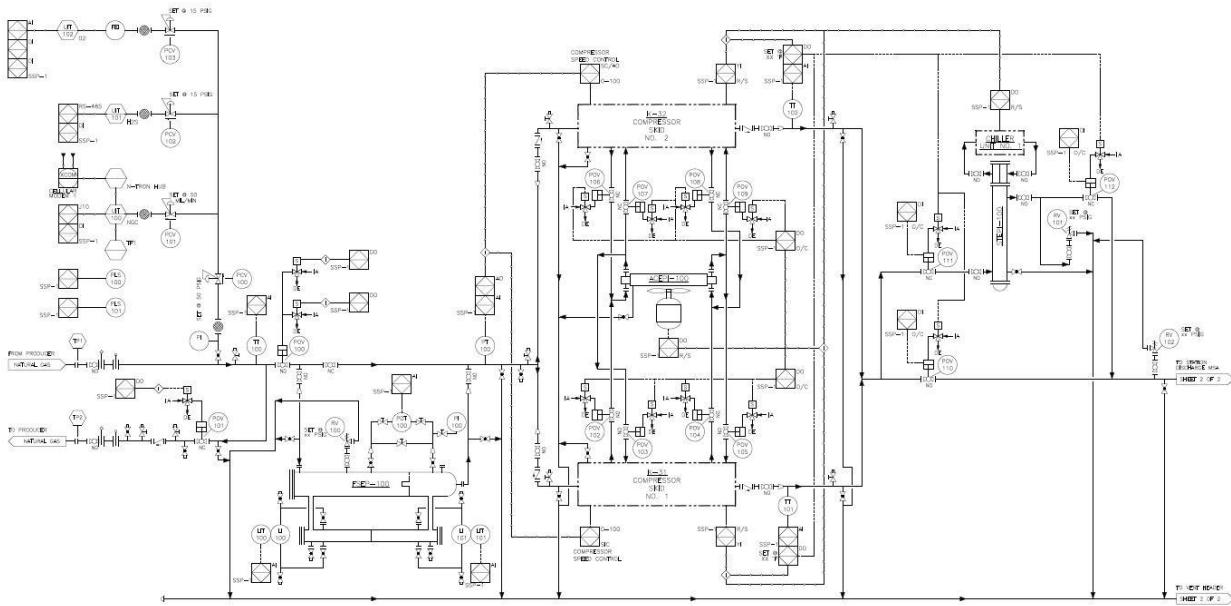
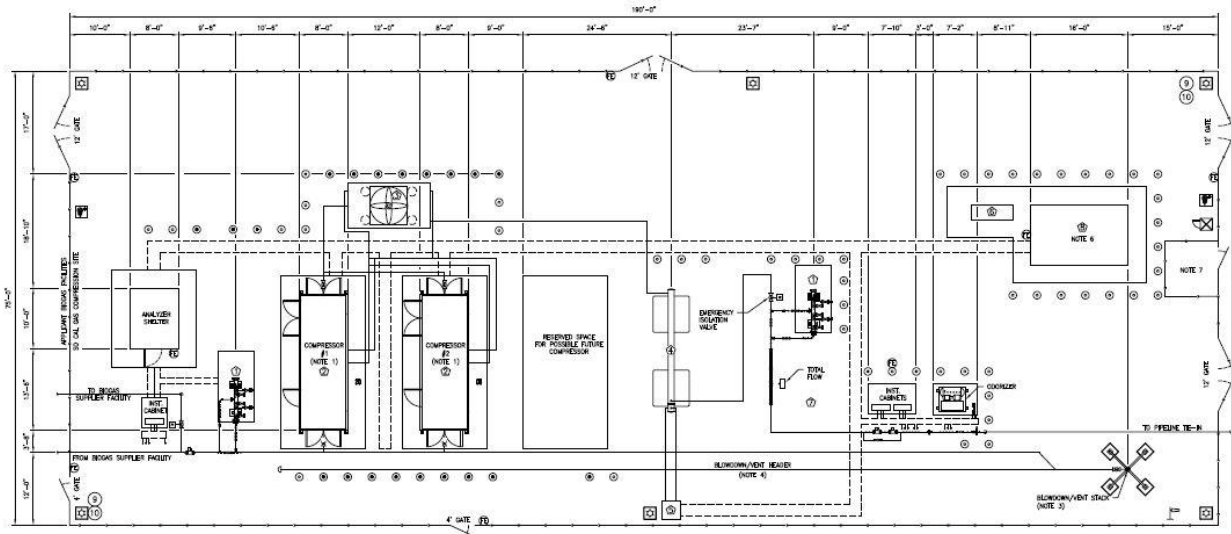
SoCalGas' Biomethane Compression will be designed for a minimum suction pressure of [REDACTED] [REDACTED] psig and a minimum volume of [REDACTED] MScf/H.

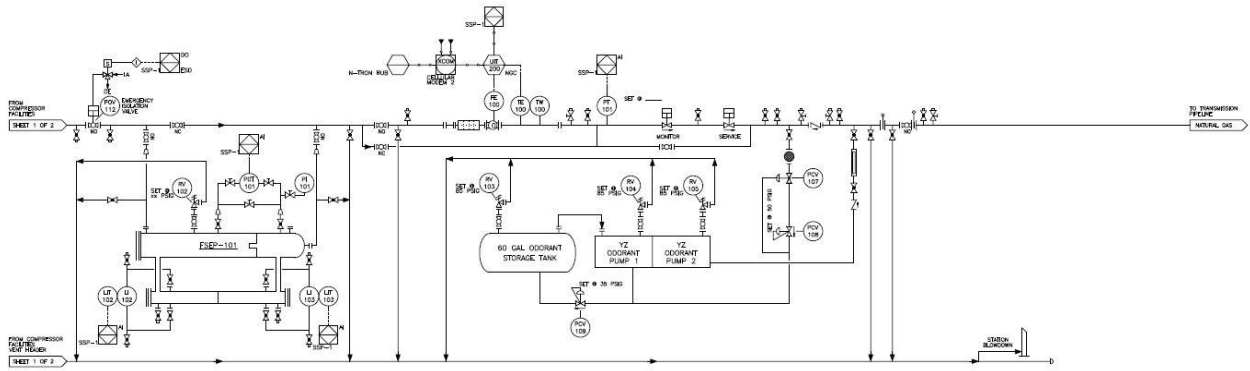
SoCalGas measurement will be designed for a minimum sixteen-inch (16") and maximum two hundred sixty-five inch (265") water column ("w.c.") differential on a sustained basis yielding a minimum [REDACTED] and maximum [REDACTED] MScfD, ratably delivered on an hourly basis [REDACTED] MScfH, respectively). On a temporary basis, the measurement minimum is five-tenths of an inch (0.5") w.c. differential.

**Illustration of North Visalia Interconnect Project Diagram:**



# Illustrations of SoCalGas' Facilities:





**EXHIBIT D: INTERCONNECTOR DEMONSTRATION OF PROJECT READINESS**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

CalBioGas North Visalia LLC

and

Southern California Gas Company

Dated: February 26, 2019

**CHECKLIST**

<b>COMMERCIAL</b>	
<input type="checkbox"/>	Project Funding Matrix (Executed)
	<ul style="list-style-type: none"><li>• Provided actual executed agreements with all investors</li><li>• Provide actual executed loan agreements from all lenders</li><li>• Updated Project Budget, including incorporation of the EPC definitive cost estimate, is within approved funding levels</li></ul>
<input type="checkbox"/>	Project Materials Supply Agreements Matrix
	<ul style="list-style-type: none"><li>• All feedstock (manure) supply agreements in place with each dairy with sufficient volume to support operations at full capacity</li><li>• All chemical or catalyst supply agreements are in place with sufficient volume to support operations at full capacity</li></ul>
<input type="checkbox"/>	Project Product Off-take Agreements Matrix
	<ul style="list-style-type: none"><li>• Identify primary partners/clients and projected RNG off-take volumes</li></ul>

<b>SITE</b>	
<input type="checkbox"/>	Civil Works and Site Plans Stamped by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Geotechnical evaluations – subsurface conditions accounted for in design and construction cost estimate</li> <li>• ALTA (American Land Title Association) Surveys</li> </ul>
<input type="checkbox"/>	Encroachment Permit List/Right of Way Agreements Matrix
	<ul style="list-style-type: none"> <li>• Interconnections (utilities, feedstock, product transportation) have been planned and mutually agreed upon by all associated parties (utility suppliers, feedstock providers, biogas to conditioning/sweetening system(s), etc.)</li> <li>• Identify which permits have been approved and agreements executed and indicate expected dates of completions for those still pending</li> </ul>
<input type="checkbox"/>	Site lease and/or purchase agreements executed for each location
<b>PROJECT</b>	
<input type="checkbox"/>	Project Execution Plan
<input type="checkbox"/>	Long Lead-time/Critical Equipment Issued Purchase Orders and Down Payments
<input type="checkbox"/>	Operations and Maintenance (O&M) Plan
	<ul style="list-style-type: none"> <li>• Overall approach strategy (3<sup>rd</sup> party service provider, self-perform, etc.)</li> <li>• Training and Staffing Plan</li> <li>• Spare parts plan</li> <li>• O&amp;M agreement with service provider(s)</li> </ul>

<b>TECHNOLOGY</b>	
<input type="checkbox"/>	Front End Engineering Design (FEED) Issued by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Process design complete for complete operations at full capacity, including digesters and conditioning/sweetening systems at each dairy, gathering lines, and upgrading plant <ul style="list-style-type: none"> <li>– Process and utility equipment specifications</li> <li>– Process flow diagrams (PFDs) and piping &amp; instrument diagrams (P&amp;IDs)</li> <li>– Mass and energy balance for overall process and each site and system/subsystem</li> <li>– Utility and balance-of-plant support requirements</li> </ul> </li> </ul>
<input type="checkbox"/>	Technical license agreements have been executed and all related fees and royalties are accounted for in capital and operating cost models

<b>ENVIRONMENTAL/REGULATORY</b>	
<input type="checkbox"/>	Project Permit List Matrix (with application status, durations, contacts, costs)
<input type="checkbox"/>	California Environmental Quality Act (CEQA) Determinations Report
	<ul style="list-style-type: none"> <li>• Environmental permit requirements under California Environmental Quality Act (CEQA) and other applicable guidelines and standards as well as local, State and Federal laws are fully identified</li> <li>• Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A of Exhibit 1)</li> </ul>
<input type="checkbox"/>	County Planning Approvals
<input type="checkbox"/>	California Air Resource Board Approvals
<input type="checkbox"/>	California State Water Resources Control Board Approvals
<input type="checkbox"/>	Office of the State Fire Marshal Approvals

<b>CONSTRUCTION</b>	
<input type="checkbox"/>	EPC or Contractor Executed Agreement(s)
	<ul style="list-style-type: none"> <li>• Scope of work</li> <li>• Performance and schedule guarantees</li> <li>• Warranties</li> <li>• Acceptance criteria</li> <li>• Testing criteria</li> <li>• Liquidated damages</li> <li>• Startup/Commissioning</li> </ul>
<input type="checkbox"/>	Baseline Project Schedule



**CalBioGas North Visalia LLC**

Attachment B: California Producer Interconnect Collectible System Upgrade Agreement  
for SB 1383 Dairy Pilot Project (Form 6456)

EXHIBIT C

CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM UPGRADE  
AGREEMENT for SB 1383 DAIRY PILOT PROJECT

This Agreement (“Agreement”) is entered into as of February 26, 2019 (“Effective Date”) by and between Southern California Gas Company (“SoCalGas”) and CalBioGas North Visalia LLC, a California Limited Liability Company (“Interconnector”). SoCalGas and Interconnector may be referred to herein severally as a “Party,” or jointly as “Parties.”

WHEREAS, SoCalGas is a public utility regulated by the California Public Utilities Commission and is involved in the receipt and redelivery of natural gas to its customers; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Senate Bill (“SB”) 1383 requires the CPUC, in consultation with the California Air Resources Board (“ARB”) and the California Department of Food and Agriculture (“CDFA”) (collectively, the “Selection Committee”), to direct Utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys including the North Visalia – California Bioenergy project herein; and

WHEREAS, Interconnector is a dairy based biomethane developer and would benefit from SoCalGas being capable of receiving Gas at the Interconnection Point for redelivery to customers; and

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

**SECTION 1**  
**SCOPE OF AGREEMENT**

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to design, engineer and construct Gas facilities including pipelines, Biomethane Compression, meters, regulators and appurtenant facilities and related system upgrades in order to provide the Interconnect Capacity from Interconnector’s pipeline facilities near [REDACTED] in Visalia, California to SoCalGas’ existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector’s Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to the California Producer Interconnection Agreement (“CPIA”) and California Producer Operational Balancing Agreement (“CPOBA”) between the Parties dated February 26, 2019, for the account of itself or its affiliates or third parties for transport on SoCalGas’ pipeline system in California. Interconnector agrees to pay the actual costs for SoCalGas’ Facilities constructed by SoCalGas hereunder that are

caused by Interconnector's Incremental Capacity. Payment by Interconnector does not imply that Interconnector is entitled to receive transportation services from the Interconnection Point under this Agreement. Attached hereto as Exhibit A and incorporated by reference herein is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B and incorporated by reference herein.

(b) Definitions - For purposes of this Agreement defined terms shall the meaning set forth in the CPIA or as otherwise set forth below:

(i) "SoCalGas' Facilities" shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement including Btu district additions and enhancements, Biomethane Compression, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the state of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) "CPUC" shall mean the Public Utilities Commission of the State of California.

(iii) "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas' tariffs, rules and other applicable regulations.

(iv) "In-Service Date" is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) "Interconnect Capacity" shall be as defined in the CPIA. Interconnect Capacity does not reflect SoCalGas' ability to provide takeaway capacity from the outlet of SoCalGas' Facilities at the Interconnection Point.

(vi) "Interconnection Point" shall mean that point where SoCalGas' Facilities and Interconnector's Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) "Interconnector's Facilities" shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by Interconnector up to the Interconnection Point.

(c) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Hinshaw Exemption. SoCalGas shall not be

required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

## **SECTION 2** **CONDITIONS PRECEDENT**

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Conditions:

(i) Governmental Authorizations:

1. Interconnector: On or before [REDACTED], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction and [REDACTED] for operation of Interconnector's Facilities.

2. SoCalGas: On or before commencement of construction, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) from any other governmental or local agency, if necessary in SoCalGas' sole judgment, the proper approvals required for SoCalGas to dispense its duties under this Agreement.

(ii) Interconnector Commitments:

1) On or before commencement of construction, Interconnector shall have paid SoCalGas for SoCalGas' total estimated Incremental Capacity Cost related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

2) Prior to SoCalGas incurring significant costs, including but not limited to, procuring materials and constructing SoCalGas' Facilities, Interconnector shall

provide adequate evidence and documentation to show the project is considered project ready pursuant to the CPIA Exhibit D Interconnector Demonstration of Project Readiness.

(iii) SoCalGas Commitments: On or before commencement of construction, SoCalGas shall have accepted payment by Interconnector of the total estimated Incremental Capacity Cost related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

(c) Notification - Each Party shall notify the others in writing whenever in its sole opinion any of the foregoing conditions in Subsection 2 (b) have been satisfied. Interconnector shall retain the right to waive conditions 2(b)(i)(2) and SoCalGas shall retain the right to waive conditions 2(b)(i)(1) and 2(b)(ii) (but no such condition may be waived except in writing).

(d) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such 45th day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(e) Cooperation - Each Party shall cooperate with the other Parties as is reasonable under the circumstances, and keep the other Parties advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

(f) Termination Charges - In the event that this Agreement is terminated under Subsection 2(d), Interconnector shall pay SoCalGas the actual costs of that portion of SoCalGas' Facilities constructed to date plus any other costs already incurred and other unavoidable costs incurred or to be incurred by SoCalGas arising out of SoCalGas' performance pursuant to this Agreement for all Incremental Capacity.

### **SECTION 3**

#### **CONSTRUCTION, PAYMENT, AND OPERATIONS**

(a) Description of Interconnection Facilities - Interconnector's Facilities shall interconnect with the SoCalGas' Facilities at the Interconnection Point. All deliveries of Gas by Interconnector to SoCalGas for transport shall occur at the Interconnection Point. All Interconnector's and SoCalGas' Facilities shall meet SoCalGas' minimum specifications for materials, installation, testing and acceptance.

(b) Installation of Facilities

(i) At the Interconnection Point, Interconnector shall install such piping, regulators, valves, separators, quality measurement, odorant or other equipment as the Parties mutually agree are necessary on the Interconnector's system to deliver at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed) at a delivery pressure sufficient to enter the SoCalGas system at the Interconnection Point, but not to exceed the Maximum Allowable Operating Pressure ("MAOP"), as solely determined by SoCalGas. Interconnector shall also acquire the rights-of-way for SoCalGas' Facilities to SoCalGas' sole satisfaction.

(ii) SoCalGas shall design, engineer and acquire permits, if necessary, to construct, and install such piping, regulators, valves, meters, separators, quality measurement, odorant or other equipment, as it deems necessary to have the capability to measure, regulate, and receive from the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed).

(iii) No SoCalGas Facilities which are to be paid for by Interconnector shall be designed, engineered or constructed by SoCalGas without Interconnector's prior written approval of the total estimated cost, as set forth in Exhibit C. Interconnector acknowledges that the total estimated Incremental Capacity Cost is an estimate only and that Interconnector will be responsible for SoCalGas' actual costs including, but not limited to, its labor, procurement, permits and associated fees, indirect costs and internal overheads, of designing, engineering, installing and constructing any facilities described in Exhibit C, including any related income tax liability thereon, whether or not such costs are above or below advance payments made or detailed cost estimates provided to Interconnector by SoCalGas.

(iv) SoCalGas shall submit to Interconnector, as available from time to time, any proposal regarding the scope of services to be performed, and schedules for construction (including ordering materials) and estimated costs related to implementing such Interconnection Capacity as set forth in Exhibit C, based on the mutually agreed date projected as the In-Service Date (as determined in good faith from time to time).

(v) Interconnector shall, within a reasonable period of time given the nature of any such proposal, accept or reject any such proposal in writing.

(vi) Interconnector shall be solely responsible hereunder for any failure by SoCalGas to timely complete SoCalGas' Facilities at the Interconnection Point delaying the In-Service Date including all costs resulting therefrom, which failure is solely attributable to Interconnector's delay or refusal in approving any reasonable proposal by SoCalGas.

(vii) Prior to SoCalGas making any financial commitment hereunder, SoCalGas, in its sole discretion, shall be satisfied that Interconnector has the financial capability of performing fully any payment obligations to SoCalGas that may arise in connection therewith.

(viii) If the Interconnection Point or any related facilities are deemed noncompliant with any order, rule or regulation of any governmental agency as interpreted by SoCalGas, SoCalGas shall send Interconnector a notice of the noncompliance along with an Incremental Capacity Cost estimate and scope of additional work for correction that would be done pursuant to the terms herein. The Interconnector shall have thirty (30) calendar days to respond to SoCalGas with payment of estimated costs for the specified remediation project. Failure by Interconnector to provide an acceptable response to SoCalGas shall result in a suspension of access at the Interconnection Point until such time as the identified issue is corrected to SoCalGas' satisfaction.

(c) Payment by Interconnector - Interconnector shall advance SoCalGas' total estimated Incremental Capacity Cost set forth within the scope of an approved Exhibit C, if applicable. After a final accounting has been made by SoCalGas but in no event later than 18 months after the In-Service Date, Interconnector shall reimburse SoCalGas for its actual costs above the prepaid estimated costs, including indirect costs and overheads, carrying costs, designing, engineering, installing, permitting and constructing SoCalGas' Facilities set forth in an approved Exhibit C, and including any related income, CIAC, or other tax liability thereon, even if such costs are above cost estimates provided to Interconnector by SoCalGas within thirty (30) calendar days of invoice from SoCalGas. After a final accounting has been made by SoCalGas but in no event later than 18 months after the In-Service Date, any advances paid, which are in excess of SoCalGas' actual costs, shall be returned to Interconnector.

(i) With respect to the Incremental Capacity Cost, Interconnector may request and SoCalGas shall agree to Interconnector's audit of the accounting records applicable to the construction of SoCalGas' Facilities for the Incremental Capacity at Interconnector's expense. Such audit must be conducted during the term hereof or for a period of up to one year after termination and by a certified public accountant.

(d) Interconnector Guaranty - In the event that on or before, December 31, 2021, the In-Service Date has not occurred, SoCalGas shall invoice Interconnector and Interconnector shall within ninety (90) calendar days following receipt of the invoice, reimburse SoCalGas for the actual Incremental Capacity Cost unpaid to date (including indirects, overheads, and carrying costs if applicable) of all SoCalGas' Facilities constructed and services provided pursuant to this Agreement.

(e) Coordination - The Parties shall cooperate together and establish such procedures as may be deemed appropriate by the Parties to coordinate the design, planning, construction and completion by the In-Service Date of Interconnector's and SoCalGas' Facilities at the Interconnection Point.

(f) General Indemnity - As between SoCalGas on the one hand, and Interconnector on the other hand, each Party shall be solely responsible for, and shall indemnify, defend and hold the other Party and its officers, shareholders, employees, agents, representatives, successors and assigns harmless from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses including without limitation, reasonable attorneys fees (including fees and disbursements of in-house and outside counsel) of any kind

whatsoever to the extent resulting from the indemnifying Party's negligent performance of its obligations pursuant to this Agreement.

(g) Specific Indemnity - As to the actual "tying-in" of the respective facilities constructed by the Parties under this agreement, SoCalGas shall be solely responsible for performing the "tie-in".

#### **SECTION 4** **ASSIGNMENT**

Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(a) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(b) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(c) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

#### **SECTION 5** **NOTICES**

(a) Form of Notice – All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

Interconnector:

Mailing Address: CalBioGas North Visalia LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black



Email Address:

[REDACTED]  
[REDACTED]

SoCalGas:

Mailing Address: Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
559-739-2307  
Attn: Ty Korenwinder

Email Address: [tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

## **SECTION 6** **LIMITED WARRANTY**

(a) Services - SoCalGas warrants to Interconnector that the work performed by SoCalGas will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

**SECTION 7**  
**MISCELLANEOUS**

(a) Laws - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. In the event of a delay caused by a force majeure event, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

(c) Entire Agreement - This Agreement, the CPIA, the SB 1383 Dairy Pilot Project Funding Agreement, the CPOBA and the Confidentiality Agreement (effective date of March 17, 2018) between the Parties (the "Project Agreements") constitute the entire agreement between the Parties pertaining to the subject matter hereof, and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one or more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

(d) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(e) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

(f) Disputes - Any dispute or need for interpretation arising out of this Agreement, which cannot be resolved after a reasonable period of time of good faith negotiation, will be submitted to the CPUC for resolution.

(g) Term - This Agreement shall become effective on the Effective Date provided at the beginning of this Agreement and, unless terminated earlier, continue until the later of the "In

Service Date” for Interconnector’s Facilities or the date upon which the Parties’ obligations under this Agreement have been fulfilled.

(h) Attorneys’ Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

(i) Regulation - SoCalGas is a California utility subject to the jurisdiction of the CPUC. In the event the CPUC, or any other administration agency with jurisdiction over the subject matter hereof, materially change, alter or modify this Agreement, such that a party is deprived of its benefits anticipated herein such Party may terminate this Agreement upon 15 calendar days notice or immediately if necessary to comply. In such event Interconnector remains liable for payment of those costs incurred by SoCalGas pursuant to any approved Exhibit B up to such date.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their authorized representatives as of the day and year first written above.

CALBIOGAS NORTH VISALIA LLC

By: 

Name: Neil Black

Title: President

Date: 02-28-19

SOUTHERN CALIFORNIA GAS COMPANY

By: 

Name: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019

**EXHIBIT A: INTERCONNECTOR'S FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM  
UPGRADE AGREEMENT**

between

CalBioGas North Visalia LLC

and

Southern California Gas Company

Dated: February 26, 2019

Interconnector's Facilities are defined in the CPIA Exhibit A.

**EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES**  
**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM**  
**UPGRADE AGREEMENT**

between  
CalBioGas North Visalia LLC  
and  
Southern California Gas Company  
Dated: February 26, 2019

Interconnector's Facilities and SoCalGas' Facilities are identified in the CPIA Exhibit B.

**EXHIBIT C: SCOPE OF SERVICES**

**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM  
UPGRADE AGREEMENT**

between  
CalBioGas North Visalia LLC  
and  
Southern California Gas Company  
Dated: February 26, 2019

Interconnector requests SoCalGas to complete the design, engineering, procurement and construction, commissioning activities described herein, for the installation of SoCalGas’ Facilities located at or near [REDACTED] in Visalia, California to accommodate Interconnector’s Rule 30 compliant Gas deliveries, ranging from a minimum to a maximum of [REDACTED] and [REDACTED] thousand standard cubic feet per day (MScfD), respectively, delivered at a one-twenty-fourth (1/24) hourly equivalent rate (“Scope of Services”)<sup>1</sup>.

SoCalGas shall fund the Table A: Pilot Project Capacity SoCalGas’ Facilities Authorized Bid Amount per the Decision and this Agreement.

SoCalGas shall invoice Interconnector the estimated Table B: SoCalGas’ Facilities Incremental Capacity Cost Incremental Capacity Cost of [REDACTED] for this component of the Scope of Services (“Estimated Costs”). The invoice shall also include, to the extent they are taxable to SoCalGas, an estimate of the applicable Income Tax Component of Contributions and Advances (“ITCCA”) for the capital portion of all contributions and advances by Interconnector.

Table A: Pilot Project Capacity SoCalGas’ Facilities Authorized Bid Amount based on 39 MScfH

Scope	Total Installed Cost	Annual O&M
Pipeline Lateral and Biomethane Compression	[REDACTED]	[REDACTED]
Interconnection (Point of Receipt)	[REDACTED]	[REDACTED]
Pipeline Extension	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

<sup>1</sup> SoCalGas’ Facilities, except for the Compression Facility, have been designed for a maximum flow rate of [REDACTED] MScfD. CalBioGas North Visalia LLC anticipates increasing the maximum flow rates, if it signs up new dairies, to [REDACTED] MScfD by adding a compressor and will execute and fund the CPICSUA to accomplish this.

Table B: SoCalGas' Facilities Incremental Capacity Cost

Scope	Total Installed Cost
Pipeline Lateral and Biomethane Compression	
Interconnection (Point of Receipt)	
Pipeline Extension	
Total	

At Interconnector's request and for informational purposes only, SoCalGas has categorized, in the Table B above, SoCalGas' Incremental Capacity Cost estimate into pipeline lateral and Biomethane Compression, Interconnection Point, and pipeline extension.

*\*All cost estimates expire upon the earlier of ninety (90) calendar days after the date sent by SoCalGas or the otherwise stated expiration date or condition(s).*

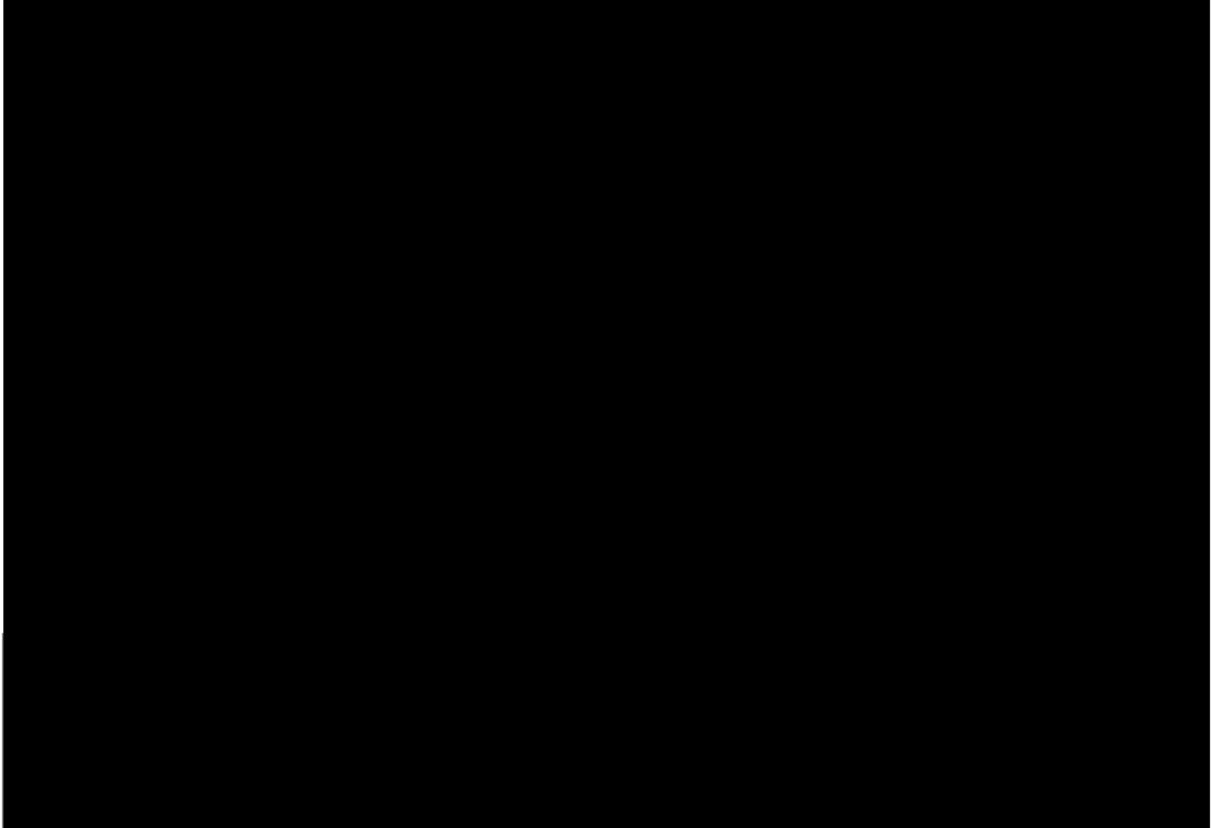
*Interconnector acknowledges and agrees that estimated costs and timeline for the services to be provided under this Agreement, including the In-Service Date, are subject to change and may be impacted by additional interconnection requirements and conditions including, but not limited to, availability of materials and contractors, unforeseen permitting, environmental, or construction requirements, and/or other legal, regulatory or Interconnector actions or contractual requirements that may cause delay, such as Interconnector's failure to (i) execute all necessary agreements, (ii) provide requested information, (iii) fund invoices, and (iv) obtain necessary governmental authorizations or approvals and permits necessary for SoCalGas Facilities, and/or (v) SoCalGas' acceptance of Installment Payments at Interconnector's request.*

*SoCalGas explicitly makes no representations or warranties concerning its ability to meet the Scope of Services targeted completion dates and shall not be liable for any cost or damage incurred by Interconnector because of any delay in the work provided for in this Agreement.*

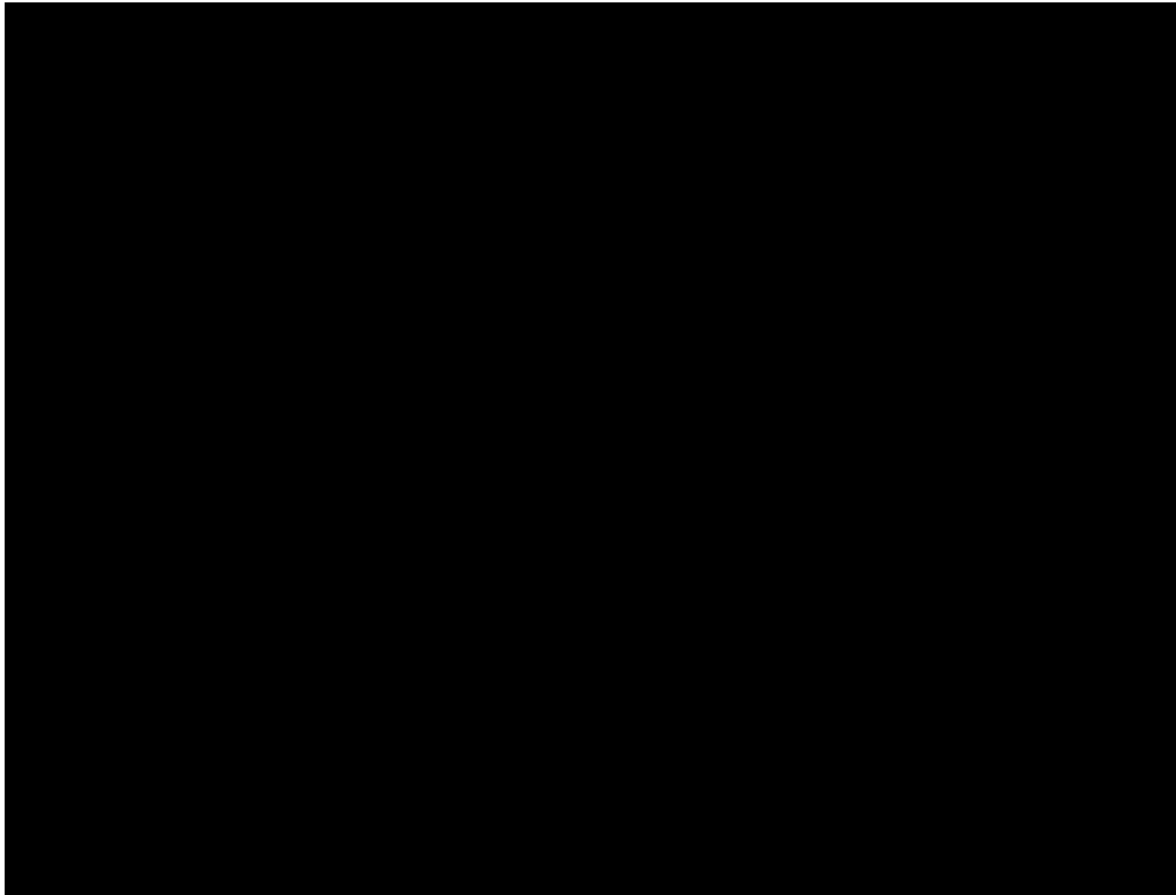


**Exhibit C-1: PROJECT SCHEDULE**

**SoCalGas Schedule**



**Interconnector Schedule**



**CalBioGas North Visalia LLC**

Attachment C: California Producer Operational Balancing Agreement (Form 6452)

CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT

between  
CalBioGas North Visalia LLC  
and  
SOUTHERN CALIFORNIA GAS COMPANY

THIS CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT (“Agreement”) is made and entered into by and between CalBioGas North Visalia LLC, a California Limited Liability Company, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this 26<sup>th</sup> day of February 2019. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

**RECITALS**

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under section 1 (c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, the Parties desire to provide for the delivery to, and receipt of, natural gas by the SoCalGas system as set forth in this Agreement and the California Producer Interconnection Agreement; and

WHEREAS, Interconnector and/or SoCalGas have entered, or may enter, into one or more agreements with third party Service Requesters (hereinafter referred to as “Service Requester(s)”) for the transportation of Gas to the delivery point Interconnection Point(s) or from the receipt point Interconnection Point(s) on their respective systems as shown in Exhibit 1 (said agreements hereinafter referred to as “Service Requester Agreements”); and

WHEREAS, from time to time, the quantities of Gas confirmed and scheduled by the Parties to be delivered to, or received at, the Interconnection Point (said quantities hereinafter referred to as the “Scheduled Quantities”) may be greater or less than the quantities of Gas which are actually delivered at the Interconnection Point, resulting in over- or under-deliveries relative to Scheduled Quantities; and

WHEREAS, the Parties desire to implement this Agreement in order to facilitate more efficient operations, accounting, and systems management at the Interconnection Point and on the SoCalGas system, and to provide for certain terms and conditions under which Gas will be

delivered by Interconnector and accepted by SoCalGas, for the account of Service Requester(s) and/or their designees at the Interconnection Point.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Parties agree as follows:

## **SECTION I** **SCOPE OF AGREEMENT**

1.1 Scope – This Agreement sets forth the terms and conditions governing the treatment of Operational Imbalances at the Interconnection Point between the pipeline facilities that have been constructed or will be constructed at such Interconnection Point by SoCalGas and Interconnector for all Gas delivered by Interconnector to SoCalGas for the account of itself or its affiliates or third parties at the Interconnection Point as set forth below and incorporating herein the provisions of the Recitals above. The Parties have or will have executed the California Producer Interconnection Agreement, and its execution and performance is a condition precedent to the obligations herein. No action or inaction of SoCalGas will or shall relieve Interconnector of this obligation.

1.2 Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in the California Producer Interconnection Agreement, is effective as of the date first written above and shall remain in effect for a primary term of twenty (20) years from the date Gas first flows through the Interconnection Point (the “Commencement Date”), and year to year thereafter.

1.2.1 Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement.

1.2.2 SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector, or in the event of a material default by Interconnector, upon sixty (60) calendar days following Interconnector’s receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

1.2.3 In the event the California Producer Interconnection Agreement has not been fully executed by February 26, 2019, or any pipeline system construction that is necessary to begin Gas deliveries or

receipts at the Interconnection Point is not completed on or before [REDACTED] or Gas flows substantially equal to the minimum Interconnection Capacity volume have not commenced within 365 days of completion of the interconnection, SoCalGas may terminate this Agreement with sixty (60) calendar days prior written notice.

1.3 Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

- 1.3.1 “Interconnector’s Facilities” shall mean those Gas pipeline facilities as defined in the California Producer Interconnection Agreement.
- 1.3.2 “California Producer Interconnection Agreement” shall mean an agreement executed between the Parties that provides the terms and conditions governing the operations at the Interconnection Point between Interconnector’s Facilities and SoCalGas’ Facilities.
- 1.3.3 “Gas” shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas’ tariffs, rules and other applicable regulations.
- 1.3.4 “Interconnect Capacity” shall be as defined in the California Producer Interconnection Agreement.
- 1.3.5 “Interconnection Point” shall mean that point where SoCalGas’ Facilities and Interconnector’s Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as described in the California Producer Interconnection Agreement. The location of the Interconnection Point is described in Exhibit 3.
- 1.3.6 “SoCalGas’ Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point as defined in the California Producer Interconnection Agreement, for receipt into SoCalGas’ system in the State of California pursuant to this Agreement. SoCalGas’ Facilities shall be owned and operated by SoCalGas and are generally set forth in Exhibit 2.
- 1.3.7 “Operational Imbalance” shall mean actual physical deliveries of Gas less Gas quantities that are scheduled to be delivered. Therefore, Operational Imbalance shall be positive for over-deliveries, i.e., deliveries greater than scheduled deliveries.

Operational Imbalance shall be negative for under-deliveries, i.e., deliveries less than Scheduled Quantities.

1.3.8 “OFO Day” shall mean any Gas flow day for which SoCalGas calls an OFO as described in Rule 30.

1.3.9 “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate California Producer Operational Balancing Agreements or another agreement governing access to SoCalGas' system.

#### 1.4 Regulatory Jurisdiction

1.4.1 Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

1.4.2 FERC Jurisdiction - This Agreement is entered into by the Parties with the understanding that the balancing activities provided for hereunder will not subject any non-jurisdictional entity to regulation by the FERC as a “natural gas company” under the provisions of the Natural Gas Act. If, at any time, it is determined by FERC that such balancing activities do result in such regulation, then either Party may immediately terminate this Agreement by providing written notice to the other Party, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

1.4.3 CPUC Jurisdiction – If the CPUC or any other regulatory body, at any time, shall assert that Interconnector as a result of delivery of

Gas hereunder, is a public utility or subject to regulation as such or that such regulatory body may prevent SoCalGas from complying with this Agreement in any respect, then within thirty (30) calendar days of such assertion either Party may, upon written notice to the other Party, terminate this Agreement effective thirty (30) calendar days after such written notice, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

## **SECTION II** **SCHEDULING**

2.1 Nominations, Confirmations and Scheduling - Prior to the date and time of flow at the Interconnection Point, the Parties shall nominate, confirm and schedule volumes of Gas which will be delivered or received at the Interconnection Point. Such nominations and confirmations between the Parties shall be made electronically or in writing, unless otherwise mutually agreed to by the Parties. Such nominations, confirmations and scheduling by the Interconnector will be in compliance with the North American Energy Standards Board (“NAESB”) standards and SoCalGas protocols. If Interconnectors’ Gas is delivered through a Split Meter, then one of the California Producers delivering Gas through that Split Meter shall be designated as the Interconnection Point operator who shall provide SoCalGas, in writing, with the Split-Meter allocation for that particular Split Meter within seven (7) calendar days after each non-OFO Day and within one (1) business day after each OFO Day. If the Split-Meter allocation is not provided by the Interconnection Point operator by the close of business (5:00 P.M. Pacific Clock Time) on the applicable day, then the last Split-Meter allocation provided by the Interconnection Point operator shall be used.

2.2 Operational Imbalance and Cash-Out – Interconnector shall to the extent feasible make deliveries of Gas at the Interconnection Point at substantially uniform rates of flow during a particular flow day. Any Operational Imbalance outside of the Tolerance Band (as defined in Subsection 2.2.1) created will be the responsibility of the Interconnector to eliminate pursuant to this Agreement. For Gas accounting purposes, all daily Scheduled Quantities as scheduled for flow day shall be deemed to be delivered regardless of the actual volume of Gas delivered. Any Operational Imbalance outside of the Tolerance Band shall be eliminated as soon as practicable, using the same Interconnection Point, by mutually agreeable arrangements between Interconnector and SoCalGas.

2.2.1 Non-OFO Days - If, at any Interconnection Point, the cumulative Operational Imbalance is outside the tolerance band of plus or minus ten percent ( $\pm 10\%$ ) of seven (7) days of Interconnect Capacity expressed in decatherms ( [REDACTED] ) (“Tolerance Band”), the following flow day shall begin an Operational Imbalance payback period



(hereinafter “Payback Period”) not to exceed fourteen (14) calendar days. The 14-day Payback Period for an Operational Imbalance resulting from a Split Meter shall begin on the flow day after the date the Operational Imbalance allocation is finalized by SoCalGas. An Operational Imbalance shall be deemed to be finalized when the Operational Imbalance is posted by SoCalGas on its Electronic Bulletin Board (“EBB”) and designated as such. The Payback Period will be used to bring the cumulative Operational Imbalance that occurred before and during the Payback Period within the Tolerance Band. During the 14-day Payback Period, the Interconnector may also trade any Operational Imbalances, accruing to or caused by Interconnector, with other Interconnector(s) with an effective California Producer Operational Balancing Agreement (“Trading Partner”). A trade will not be confirmed by SoCalGas if the trade would cause the Trading Partner’s Operational Imbalance to go outside its Tolerance Band. The Interconnector may trade Operational Imbalance quantities up to a maximum of its cumulative Operational Imbalance including quantities outside of its own Tolerance Band and those quantities within its own Tolerance Band. SoCalGas will verify each such trade on the next business day and make appropriate quantity adjustments to the associated accounts on that day. When the cumulative Operational Imbalance is no longer outside the Tolerance Band, the Payback Period will cease. If at the end of the Payback Period any positive Operational Imbalance (over-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by SoCalGas to Interconnector at the rate set forth in Schedule No. G-CPS. Under this Agreement, SoCalGas has no interest in or claim to any environmental attributes, including, but not limited to California Air Resources Board Low Carbon Fuel Standard credits or Environmental Protection Agency Renewable Fuel Standard Renewable Identification Numbers, associated with the cash-out quantity. If at the end of the Payback Period any negative Operational Imbalance (under-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by Interconnector to SoCalGas at the rate set forth in Schedule No. G-CPS. The Parties may mutually agree to waive the balancing provisions of this Agreement and to permit an Operational Imbalance to arise, in which case such imbalance shall be reduced to, or below, a specified Dth level as soon as practicable according to a mutually agreed upon schedule.

2.2.2 Split Metering – Financial responsibilities for any resulting imbalance cash-out payments, including any cash-out payments for imbalances on OFO Days, and credit requirements shall belong individually to each California Producer (as described in its own California Producer Operational Balancing Agreement or another

agreement governing access to SoCalGas' system) using the Split Metering arrangement.

2.2.3 OFO Days – During OFO Days, the Interconnector shall be required to balance in accordance with SoCalGas' Rule 30 and be subject to the charges specified therein. The requirement to balance on the OFO Day shall be applied at all times, including any defined Payback Period. Operational Imbalance quantities during an OFO Day that are outside the appropriate OFO Day tolerance level will be considered in the calculation of the cumulative Operational Imbalance for non-OFO Days. Operational Imbalances cashed out pursuant to Rule 30 will be removed from the Interconnector's Operational Imbalance and the information will be promptly communicated to the Interconnector. For Split Meters, the allocation of Gas deliveries on OFO Days shall be in accordance with Section 2.1. The financial responsibility for any Split Meter cash-outs for OFO Days shall be in accordance with Section 2.2.2.

2.3 Measurement Correction - Operational Imbalances that may arise from time to time as the result of a measurement correction for a prior period shall be resolved as follows: (i) by adding or subtracting the measurement correction to the Interconnector's then existing cumulative Operational Imbalance, or (ii) on a "cash-out" basis, or (iii) by some other mutually agreed to method. In the event the Parties cannot agree within thirty (30) calendar days after the occurrence of such Operational Imbalance as to the method to be used for the resolution of the Operational Imbalance, the "cash-out" basis shall be utilized. The cash-out rate will be equal to the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by Natural Gas Intelligence ("NGI") (or its legal successor) for each day of that particular prior period. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. If, for any reason, NGI (or its legal successor) ceases to be available for a particular imbalance period, the cash-out rate will be based on another generally accepted available publication mutually agreed to in writing by the Parties.

## 2.4. Balancing

2.4.1 Estimated operating quantities flowing at the Interconnection Point shall be used during any current period to determine the estimated Operational Imbalance at such Interconnection Point, with physical flow and/or scheduling adjustments to be made during that current period to keep the Operational Imbalance within the Tolerance Band. Interconnector and SoCalGas shall cooperate in order to minimize the daily over- and under-deliveries. In this regard, Interconnector's and SoCalGas' Gas control and/or scheduling personnel shall be in contact, to the extent necessary, each day in order to balance daily delivered quantities of Gas with Scheduled Quantities of Gas. For the purpose of this Agreement, delivery or

receipt of any Gas to resolve an Operational Imbalance is not subject to transportation charges by either Party.

- 2.4.2 The actual measured quantity of Gas at the Interconnection Point each day shall be determined and communicated by SoCalGas on its EBB. The actual measured quantity shall be determined pursuant to the applicable provisions of SoCalGas' measurement procedures and standard methodologies consistent with standard industry practices. To the extent that the actual measured quantity of Gas differs from the estimated operating quantity of Gas at the Interconnection Point, at the beginning of each month SoCalGas will calculate the difference (actual minus estimated) between the two quantities for the previous month ("True-up"). SoCalGas will add the True-up to the cumulative Operational Imbalance up to the Tolerance Band. Any True-up quantities falling outside the Tolerance Band will be subject to the cash-out rate set forth in Schedule No. G-CPS. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas.
- 2.4.3 On, or about, the 9<sup>th</sup> business day of each calendar month, information showing the quantity of Gas scheduled and delivered at the Interconnection Point during the previous month, including any quantity of Gas traded pursuant to Section 2.2.1, shall be available in SoCalGas' EBB. The information on the ending cumulative imbalance quantity shall also be provided. The Operational Imbalances shall be deemed to be agreed to unless either Party notifies the other Party within seven (7) calendar days that it believes there is an error. At a later date during the month an invoice shall be rendered showing any cash-out charges or other charges and credits, along with supporting price and volume data and detailed cash-out price calculations to enable Interconnector or third-party verification. Billing and payment shall be consistent with SoCalGas' Tariff Rule 12.
- 2.4.4 All imbalances shall be recorded on a Decatherm basis for accounting purposes.
- 2.4.5 If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service, if in the Utility's opinion receipt of such gas would jeopardize other operations, until such time appropriate actions have been taken to ensure compliance with this provision.

2.5 Disputed Calculations - All reasonable efforts shall be made by the Parties to resolve any disputed computations. Either Party may pursue resolution of a dispute as to computations or imbalances owed hereunder in accordance with the provisions of this Agreement; however, unless the Parties mutually agree otherwise, delivery of the entire imbalance due, including any disputed imbalance, shall be made to the respective Party notwithstanding such dispute resolution. Delivery of the disputed imbalance(s) shall not be deemed a waiver of any rights to recoup any imbalance amount in dispute.

### **SECTION III** **DEFAULT**

3.1 Waiver - A waiver by either Party of any one or more defaults by the other Party hereunder shall not operate as a waiver of any future default or defaults, whether of like or different character. Furthermore, no consent or waiver, expressed or implied, by any Party of any breach or default by the other Party in the performance of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance of any other obligation of the other Party. Failure on the part of any Party to complain of any act or failure to act by the other Party or to declare the other Party in default, regardless of how long such failure continues, shall not constitute a waiver by such Party of any of its rights hereunder.

3.2 Regulatory Impairment – This Agreement shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction. Notwithstanding the other provisions of this Agreement, if at any time during the term hereof, any governmental authority having jurisdiction: (a) requires changes or modifications to the terms of this Agreement that are unacceptable to either Party; or (b) takes any action whereby either Party’s delivery, receipt, and/or use of Gas hereunder shall be proscribed or subjected to terms, conditions, regulations, restraints, or limits that in the reasonable judgment of a Party prevents that Party from acting in a commercially reasonable manner to fulfill the terms of this Agreement, then such Party shall have the unilateral right to terminate this Agreement at any time upon thirty (30) calendar days written notice to the other Party, without further performance due or liability hereunder, except as to redelivery of any outstanding Gas imbalances. Nothing herein shall prevent the Parties through mutual agreement from modifying this Agreement in lieu of termination.

3.3 Sole Remedy - Each Party agrees that its sole remedy for nonperformance by the other Party or other default by the other Party in the performance of its obligations under this Agreement shall be as specified in this Agreement. Both Parties agree to use commercially reasonable efforts and actions to correct nonperformance on their respective systems in a timely manner.

3.4 Reconciliation - Upon the termination of this Agreement, the Parties agree to reconcile and eliminate any remaining Operational Imbalance pursuant to the terms and conditions of this Agreement within thirty (30) calendar days of termination. If the negative imbalance (i.e., under-deliveries) is not resolved within such thirty (30) calendar days, any

remaining imbalance shall be reduced to zero (0) by cashing out at the highest High Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. If the positive imbalance (i.e., over-deliveries) is not resolved within such thirty (30) calendar days, any remaining imbalance shall be reduced to zero (0) by cashing out at the lowest Low Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. If, for any reason, NGI (or its legal successor) ceases to be available for this particular Payback Period, the cash-out rate will be based on another generally accepted available publication mutually agreed in writing by the Parties.

#### **SECTION IV** **NOTICES**

Any notice, request, or statement provided pursuant to this Agreement shall be in writing and shall be considered as having been given, if delivered personally, when delivered, or, if either electronically communicated, mailed, sent by express mail, or overnight delivery, or if telecopied to the other Party, then, when received, at the following:

##### **AGREEMENT NOTICES AND OTHER CORRESPONDENCE**

CalBioGas North Visalia LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black  
Telephone: [REDACTED] (Neil)  
[REDACTED] (Ross Buckenham)

Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
Attn: Ty Korenwinder  
M.L. SC9393  
Telephone: (559) 739-2307

E-mail:  
[REDACTED],  
[REDACTED]  
[REDACTED]  
[REDACTED]

E-mail:  
[tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

##### **DISPATCHING AND NOMINATIONS**

CalBioGas North Visalia LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black, Kyle Tos  
Telephone: [REDACTED]  
[REDACTED]

Southern California Gas Company  
555 W. Fifth Street  
Los Angeles, California 90013-1011  
Gas Control: (323) 266-5888  
Scheduling Fax: (213) 244-8281  
Nominations: (213) 244-3900  
Attn: Gas Scheduling  
M.L. GT20B5

E-mail:  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

E-mail:  
[Gasscheduling@semprautilities.com](mailto:Gasscheduling@semprautilities.com)

ALLOCATION STATEMENTS

CalBioGas North Visalia LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Southern California Gas Company  
555 W. Fifth Street  
Los Angeles, California 90013-1011  
Attn: Scheduling Manager,  
M.L. GT20B5

Telephone: [Redacted] (Neil)  
[Redacted] (Ross Buckenham)

Telephone: (213) 244-3812  
Telefax: (213) 244-8281

E-mail:  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

E-mail: [Gasscheduling@semprautilities.com](mailto:Gasscheduling@semprautilities.com)

Changes to the designated contacts, addresses and telefax and telephone numbers specified herein may be changed from time to time by the Party affected after two (2) calendar days written notice.

**SECTION V**  
**INDEMNITY**

5.1 Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

5.2 Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise)

or damages or injuries occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

5.3 Limitation of Liability - Notwithstanding any other provision hereof, neither Party shall be liable to the other Party for or assessed pursuant to Section VI or otherwise any special, punitive, consequential, incidental, or indirect damages or for lost business or lost profits, whether under tort, breach of contract, strict liability or any other theory, even if the Party has been advised of the possibility of such damages. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement.

## **SECTION VI** **DISPUTE RESOLUTION**

6.1 Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

## **SECTION VII** **ASSIGNMENT**

7.1 Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under one of the following circumstances:

- 7.1.1 When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or
- 7.1.2 When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however,

in such event the other Party shall be provided prior written notice thereof; or

- 7.1.3 When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

## **SECTION VIII** **MISCELLANEOUS**

8.1 No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) over and above those included within the California Producer Interconnection Agreement or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

8.2 Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

8.3 Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) of the California Producer Interconnection Agreement.

8.4 Choice of Law - As to all matters of construction and interpretation, this Agreement shall be interpreted in accordance with the laws of California, excluding any choice of law or rules, which direct the application of laws of another jurisdiction.

8.5 Entire Agreement - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions,



agreements and understandings, whether oral or written, which the Parties may have in connection herewith (specifically excepting the California Producer Interconnection Agreement, which is not affected by this Agreement) and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

8.6 Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2.1, 2.2, 2.3, and so on.

8.7 Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 3, 5 and 8 shall survive.

#### 8.8 Credit

8.8.1 Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

8.8.2 SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

8.8.3 In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

8.8.4 The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's

affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the “Guarantor”) shall be allowed to assume creditworthiness on behalf of the Interconnector in accordance with the following provisions:

SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the “Guaranty”) from the Guarantor.

The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector’s creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 8.8.5 is not received within fifteen (15) calendar days of SoCalGas’ notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

8.8.5 In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector’s Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average Daily Index – SoCal Border Average as reported by NGI (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

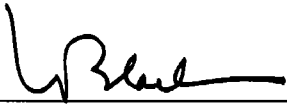
8.9 Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

8.10 Attorneys' Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

8.11 Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Agreement on the date set forth hereinabove.

CALBIOGAS NORTH VISALIA LLC


By: 

Printed Name: Neil Black

Title: President

Date: 02-28-19

SOUTHERN CALIFORNIA GAS  
COMPANY

By: 

Printed Name: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019

**EXHIBIT 1: SYSTEM MAP**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

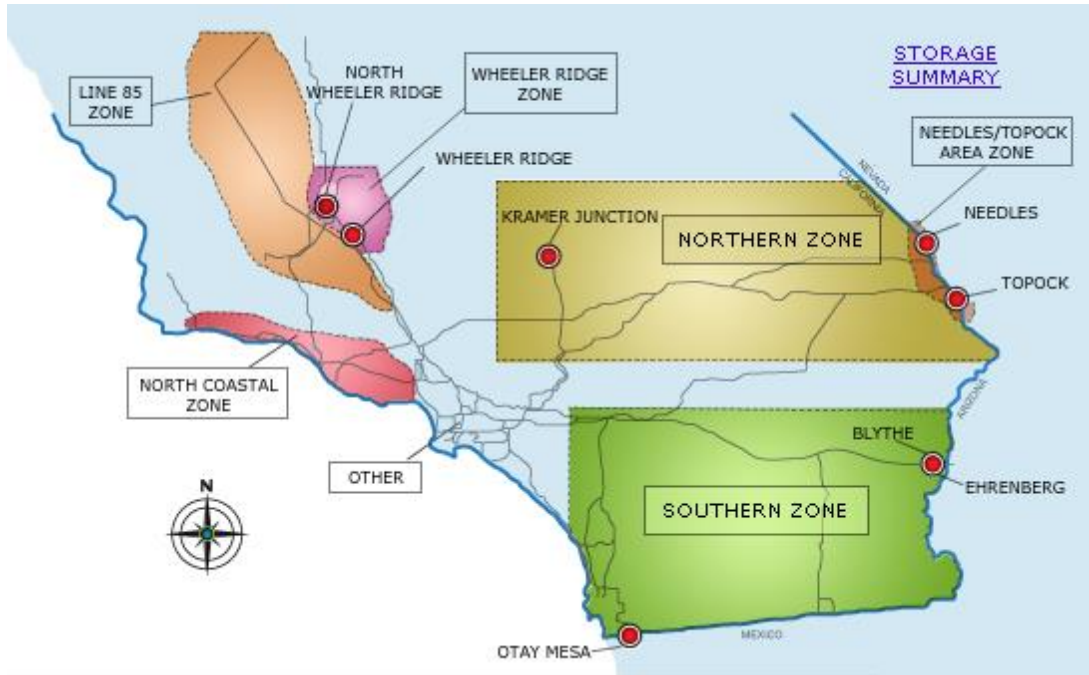
CalBioGas North Visalia LLC

and

Southern California Gas Company

Dated: February 26, 2019

The Interconnector Point is currently located within SoCalGas' Schedule G-BTS California Other Zone.



**EXHIBIT 2: SOCALGAS' FACILITIES**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

CalBioGas North Visalia LLC

and

Southern California Gas Company

Dated: February 26, 2019

See Exhibit B: Interconnection Point and SoCalGas' Facilities To The California Producer Interconnection Agreement between CalBioGas North Visalia LLC and Southern California Gas Company Dated: February 26, 2019

**EXHIBIT 3: LOCATION**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**


between

CalBioGas North Visalia LLC

and

Southern California Gas Company

Dated: February 26, 2019

<u>D-U-N-S® NUMBER</u>	<u>RECEIPT/ DELIVERY DESIGNATION</u>	<u>PROPRIETARY GAS TRANSACTION POINT CODE</u>	<u>DRN NO.</u>	<u>DESCRIPTION</u>
Tax ID:  	Receipt	N/A	N/A	Interconnection between the facilities of CalBioGas North Visalia LLC and Southern California Gas Company located at County: Tulare; Section: 6; Township: T18S; Range R24E.

**CalBioGas North Visalia LLC**

Attachment D: SB 1383 Dairy Pilot Project Funding Agreement



**Southern California Gas Company**  
**SB 1383 DAIRY PILOT PROJECT FUNDING AGREEMENT**

CHECK HERE IF ADDITIONAL PAGES ARE ATTACHED

1. PROJECT OWNER

CalBioGas North Visalia LLC

3. UTILITY

Southern California Gas Company ("SoCalGas")

4. AGREEMENT NUMBER

SB1383-03

5. NAME, TELEPHONE, AND EMAIL ADDRESS FOR QUESTIONS REGARDING THIS AGREEMENT

Jim Lucas

213-244-3276

[jlucas@semprautilities.com](mailto:jlucas@semprautilities.com)

6. BRIEF DESCRIPTION OF PROJECT ("Project")

The CalBioGas North Visalia LLC project will initially capture biogas from seven dairies, clean the dairy biogas to pipeline quality and inject the renewable natural gas into SoCalGas' pipeline system. The seven dairies are: Double J Dairy, Jacobus De Groot Dairy, Mellema Dairy, Milky Way Dairy, Mineral King Dairy, Rancho Sierra Dairy, and Rob Van Grouw Dairy.

7. AGREEMENT OUTLINE (*Include reason for Agreement and details*)

SB 1383 requires the California Public Utilities Commission (CPUC), in consultation with the California Air Resources Board (ARB) and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys, this project being one of them.

8. PAYMENT TERMS (*More than one may apply*).

See Schedule C

9. PROJECTED EXPENDITURES  
FOR REIMBURSEMENT  
(Lane 2 of Figure 1)

DESCRIPTION

ESTIMATED COST

Biogas Pre-Treatment Facilities	Pipeline facilities to condition, compress and/or meter the biogas at each dairy	██████████
Biogas Collection Lines	Pipeline facilities to move biogas from each dairy to the central biogas conditioning/upgrading facility	██████████

**AGREEMENT TOTAL**  
(Not to Exceed) ██████████

**Southern California Gas Company  
SB 1383 DAIRY PILOT PROJECT FUNDING AGREEMENT**

**SB 1383 DAIRY PILOT AGREEMENT  
SIGNATURE PAGE**

AGREEMENT NUMBER
SB1383-03

- This Agreement is entered into between the Utility and the Project Owner named below:  
 UTILITY'S NAME  
**Southern California Gas Company ("SoCalGas")**  
 PROJECT OWNER'S NAME  
 CalBioGas North Visalia LLC
- This Agreement is effective upon execution by both parties and shall remain in effect for a primary term of twenty (20) years from the Commencement Date (as defined in the California Producer Interconnection Agreement for SB 1383 Dairy Pilot Project between the parties (the "CPIA")).
- The maximum amount of this Agreement is [REDACTED]
- The parties agree to comply with the terms and conditions of the following schedules and exhibits, which are by this reference made a part of the Agreement:

Schedule A – Project Information	Page 3
Schedule B – Terms and Conditions	Pages 4-10
Schedule C – Payment Provisions and Records Retention	Pages 11 to 12
Schedule D – Project Owner – Demonstration of Project Readiness	Pages 13 to 14
Schedule E – Project Owner Safety Action Plan	Pages 15 to 184
Exhibit 1 - Solicitation for SB 1383 Dairy Pilot Projects	Pages 185 to 220
Exhibit 2 – Confidentiality Agreement	Pages 221 to 225

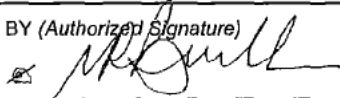
**IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.**

**PROJECT OWNER**

PROJECT OWNER'S NAME (Organization's Name)

CalBioGas North Visalia LLC

BY (Authorized Signature)



DATE SIGNED (Do not type)

3/1/2019

PRINTED NAME AND TITLE OF PERSON SIGNING: N. Ross Buckenham CEO

ADDRESS

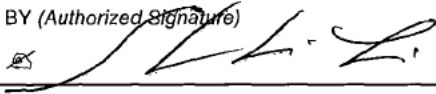
[REDACTED ADDRESS]

**SOCALGAS**

UTILITY NAME

**SoCalGas**

BY (Authorized Signature)



DATE SIGNED (Do not type)

March 3, 2019

PRINTED NAME AND TITLE OF PERSON SIGNING

Sharon Tomkins, Vice President - Customer Solutions and Strategy

ADDRESS

555 W Fifth St, Los Angeles CA 90013

**SCHEDULE A**

**PROJECT INFORMATION**

1. SoCalGas shall provide SB 1383 Dairy Pilot Project incentives to the Project Owner as stated for the Project described herein
  
2. The Managers for this Agreement are:

<b>FOR SOCALGAS:</b>	<b>FOR PROJECT OWNER:</b>
Name: Jim Lucas Title: Market Development Manager Address: 555 W Fifth St, ML 19A4 City/Zip: Los Angeles CA, 90013 Phone: 213-244-3276 Email Address: <a href="mailto:jlucas@semprautilities.com">jlucas@semprautilities.com</a>	Name: N. Ross Buckenham Title: CEO Address: [REDACTED] City/Zip: [REDACTED] Phone: [REDACTED] Email Address: [REDACTED]
	Name: Neil Black Title: President Address: 324 S. Sante Fe, Suite B City/Zip: Visalia, CA 93292 Phone: [REDACTED] Email Address: [REDACTED]

3. The **Project and Administrative Contacts** for this Agreement are:

<b>FOR SOCALGAS:</b>	<b>FOR PROJECT OWNER:</b>
Name: Kelly Murillo Title: Project Manager Address: 555 W 5 <sup>th</sup> St, ML 19A4 City/Zip: Los Angeles, CA 90013 Phone: (213) 244-3786 Email Address: <a href="mailto:kmurillo@semprautilities.com">kmurillo@semprautilities.com</a>	Name: Jennifer Swartz Title: Controller and Contracts Manager Address: [REDACTED] City/Zip: [REDACTED] Phone: [REDACTED] Email Address: [REDACTED]

**SCHEDULE B**  
**TERMS AND CONDITIONS**

**1. General Description of Agreement**

**a. Background**

Senate Bill (SB) 1383 was signed by Governor Brown on September 19, 2016. One of the requirements of SB 1383 requires the California Public Utilities Commission (CPUC), in consultation with the California Air Resources Board (ARB) and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. SB 1383 also states that the Utilities may recover in rates the reasonable cost of pipeline infrastructure developed pursuant to the Pilot Projects.

On June 15, 2017, the CPUC issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework which directs the Utilities to implement the dairy biomethane pilot projects and allow for rate recovery of reasonable infrastructure costs pursuant to SB 1383.

On December 18, 2017, the CPUC issued Decision (D.)17-12-004 which establishes the necessary framework to direct Utilities to implement not less than five dairy biomethane pilot projects. Pursuant to D.17-12-004, the Selection Committee, made up of CPUC, ARB, and CDFA, issued a solicitation for the pilot projects.

On December 3, 2018, the Selection Committee issued a press release and announced funding for six pilot projects in the San Joaquin and Sacramento Valleys designed to demonstrate the collection of biomethane from dairy digesters and its injection into natural gas pipelines.

**b. Binding Agreement**

Subject to Subsection c. below, this Agreement is a legally binding contract. The parties named in this Agreement are bound by the terms set forth herein and otherwise incorporated herein by reference, and the parties are also bound by the legal and regulatory requirements set forth in D.17-12-004 and the Solicitation for SB 1383 Dairy Pilot Projects, which this Agreement is intended, in part, to effectuate.

**c. Regulatory Approval**

This Agreement is subject to the CPUC's regulatory process and must conform to all CPUC requirements, including but not limited to the requirements of D.17-12-004 and the Solicitation for SB 1383 Dairy Pilot Projects. In order to be binding upon SoCalGas, this Agreement must be filed and approved by the CPUC. This agreement at all times shall be subject to such modifications to this Agreement; the underlying program or Decision; or any related program, Decision or agreement as the CPUC may direct from time to time in the exercise of its jurisdiction.

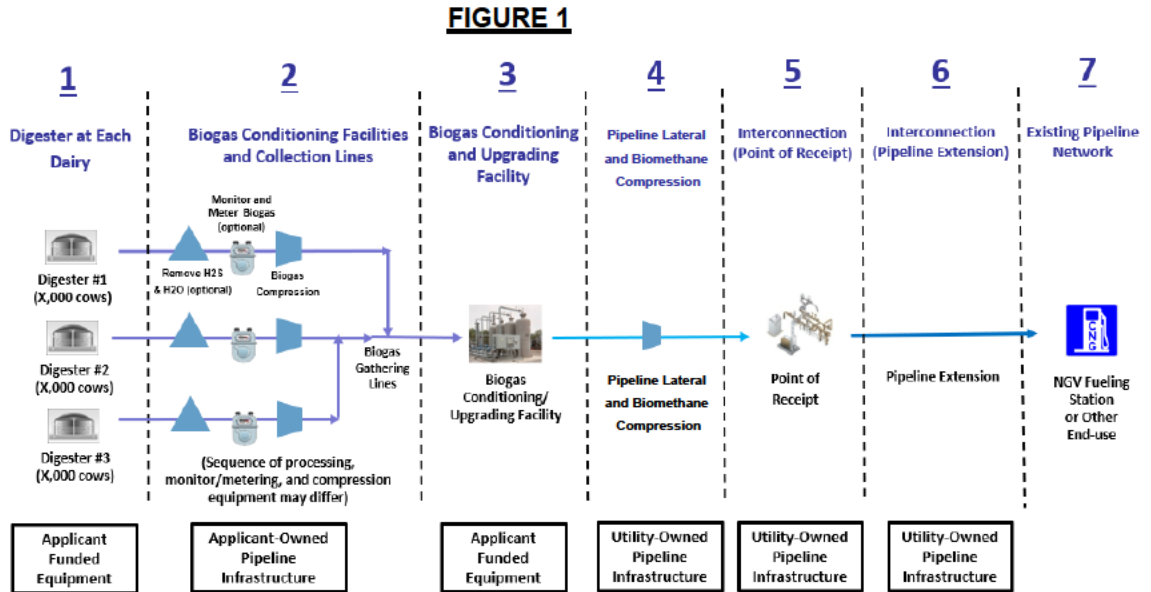
## 2. Representations

- a. Each person executing this Agreement for the respective party expressly represents and warrants that he or she is authorized to act as signatory for that party in the execution of this Agreement.
- b. Each party represents that: (a) it has the full power and authority to execute and deliver this Agreement and to perform its terms and conditions; (b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate entities; and (c) this Agreement constitutes such party's legal, valid and binding obligation, enforceable against such party in accordance with its terms.
- c. Each party shall (a) exercise all reasonable care, diligence, and good faith in the performance of its duties pursuant to this Agreement; and (b) carry out its duties in accordance with applicable federal, state, and local laws, regulations, tariffs, and ordinances and recognized professional standards in accordance with the requirements of this Agreement.

## 3. General Conditions and Requirements

- a. SoCalGas shall reimburse Project Owner only for allowable expenses for project design, construction or implementation activities in accordance with the: 1) D.17-12-004; 2) Solicitation for SB 1383 Dairy Pilot Projects and 3) Project Owner Application submitted on or before June 25, 2018 for the Project and only where all requirements set forth in this Agreement have been met, including but not limited to the following obligations of Project Owner:
  - i. Project Owner must adhere to ALL project conditions and requirements as stated in: 1) D.17-12-004; 2) the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1); and 3) Project Owner Application submitted on or before June 25, 2018 for the Project, as well as any other regulatory or other requirements set forth by the CPUC.
  - ii. Project Owner must ensure all project activities in Lanes 1-3 in Figure 1 below, including contractor/consultant activities, are compliant with applicable federal, state, and local laws, regulations, tariffs, and ordinances. Moreover, Project Owner is responsible for obtaining and maintaining all necessary permits, licenses, agreements, and approvals for the construction, operation and maintenance of facilities in Lanes 1-3 in Figure 1 below.
  - iii. Project Owner is responsible for the upfront costs associated with the facilities in Lane 2 in Figure 1 below. Project Owner may apply to SoCalGas for reimbursement of the allowable cost of such facilities to the extent consistent with D.17-02-004 and the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1), as well as any other regulatory requirements; provided, however, SoCalGas shall only be obligated to reimburse the Project Owner an amount not to exceed the lesser of (i) the amount that SoCalGas is authorized to recover from utility ratepayers or (ii) the Agreement Total.
  - iv. Project Owner must perform, or cause to be performed, all operation and maintenance costs for the facilities in Lanes 1-3 in Figure 1 below.
  - v. SoCalGas will manage all project activities in Lanes 4-6 in Figure 1 below and own/operate/fund the facilities for up to 20 years. The contractual terms for the facilities in Lanes 4-6 in Figure 1 below are contained in the CPIA.

1. Project Owner, at their cost, shall be responsible for all upfront costs to establish electrical service to SoCalGas owned equipment in Lanes 4-6 in Figure 1 below. The detailed scope of work for the electrical power is contained in the CPIA.



- vi. Project Owner must submit timely and accurate invoices and reports for Lane 2 during the project term with sufficient detail to distinguish costs for Lane 2 from the other Lanes in Figure 1 above.
- vii. Project Owner must maintain clear and consistent communication regarding project progress status throughout the project, particularly if problems or issues arise resulting in project delays. Upon discovery of problems and/or delays, Project Owner must notify SoCalGas within 3 business days of such problems and/or delays.
- viii. Project Owner must complete the Project on or before the Target Date (as defined below) for the Project. The Target Date is the date by which the Project must be connected to the SoCalGas pipeline and flowing renewable natural gas; such Target Date shall be [December 2, 2020] which is two years after December 3, 2018, the date on which Project Owner received notification by the Selection Committee of an awarded project. If the Project is not connected to the SoCalGas pipeline and flowing renewable natural gas on or before the Target Date, Project Owner must submit an extension request to the Selection Committee delineating project steps and expected online date.

#### 4. Safety Action Plan

Per the Solicitation for SB 1383 Dairy Pilot Projects, in Section 3 (Pilot Project Program Eligibility Requirements), Subpart 2, the Selection Committee states the following pertaining to safety for the pilot projects:

Compliance with the CPUC Strategic Directive on Safety: Under the CPUC Strategic Directive on Safety, the CPUC secures health and safety with a goal of achieving zero accidents and injuries. Within its jurisdictional authority, the CPUC focuses on safety policy, risk

management, safety assurance, and safety promotion. The CPUC adopts leading safety policies and standards to maximize safety in a cost-efficient manner above and beyond compliance. The CPUC continually identifies, assesses, mitigates, or eliminates the safety risk faced or posed. The CPUC assures that entities comply with the law and have sufficient resources to ensure the safety of the public, workers, and the environment. The CPUC supports efforts to assure that the public, workers and customers, are able to make informed choices and know how to respond to unsafe situations. The CPUC is committed to promoting and continuously improving safety culture.

No funding can be awarded for pipeline construction that carries hydrogen sulfide (H<sub>2</sub>S) at concentration levels detrimental to human health and safety. All projects must submit a safety action plan with initial processes and procedures drafted that indicate potential unsafe conditions and preliminary processes and procedures delineated to respond to each.

Project Owner must complete a Safety Action Plan and include such Safety Action Plan as Attachment E hereto. Failure to complete an accurate and appropriate Safety Action Plan in accordance with CPUC requirements will result in this Agreement not being eligible for submission to or approval by the CPUC.

## **5. Reporting**

Project Owner shall adhere to the reporting requirements as stated in Section 7.3 and Attachment B of the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1). The start date for the initial quarterly report will commence on the date the Project meets the 30 out of 40-day flow requirement as further described in Schedule C hereto. This will be considered day one of the initial reporting period. Project Owner shall submit all quarterly reports within 60 calendar days of the last day of the quarterly reporting period.

## **6. Project Readiness Demonstration**

Prior to SoCalGas incurring significant costs by the procurement of materials and constructing the facilities in Lanes 4-6 in Figure 1 above, Project Owner must demonstrate project readiness by providing proper documentation to show compliance with each of the requirements set forth in Schedule D.

## **7. Indemnification**

- a. Project Owner shall indemnify, defend and hold harmless SoCalGas, its officers, directors, agents, and employees, from and against all claims, demands, losses, damages, costs, expenses, and legal liability connected with or resulting from injury to or death of persons, including, but not limited to, employees of SoCalGas, Project Owner, any project contractor or subcontractor; injury to property of SoCalGas, Project Owner, or a third party, or to natural resources, or violation of any local, state or federal law or regulation, including, but not limited to, environmental laws or regulations, or strict liability imposed by any law or regulation; arising out of, related to, or in any way connected with Project Owner's performance of this Agreement, however caused, regardless of any strict liability or negligence of SoCalGas, whether active or passive, excepting only such claims, demands, losses, damages, costs, expenses, liability or violation

of law or regulation as may be caused by the active gross negligence or willful misconduct of SoCalGas, its officers, agents, or employees.

- b. Project Owner acknowledges that any claims, demands, losses, damages, costs, expenses, and legal liability that arise out of, result from, or are in any way connected with the release or spill of any legally designated hazardous material or waste as a result of the work performed for purposes of this Agreement are expressly within the scope of this indemnity, and that the costs, expenses, and legal liability for environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work, penalties, and fines arising from the violation of any local, state, or federal law or regulation, attorney's fees, disbursements, and other response costs are expressly within the scope of this indemnity.
- c. Project Owner shall, on SoCalGas' request, defend any action, claim or suit asserting a claim covered by this indemnity. Project Owner shall pay all costs that may be incurred by SoCalGas in enforcing this indemnity, including reasonable attorney's fees.

## 8. Notice

All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

Interconnector:

Mailing Address: CalBioGas North Visalia LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Email Address: [REDACTED]

SoCalGas:

Mailing Address: Southern California Gas Company  
555 W Fifth St, ML 19A4  
Los Angeles, California 90013  
Attn: Jim Lucas

Email Address: [jlucas@semprautilities.com](mailto:jlucas@semprautilities.com), [marketdevelopment@semprautilities.com](mailto:marketdevelopment@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.



## **9. Compliance with Laws and Regulations**

- a. During the performance of any work on the Project, Project Owner and its contractors and subcontractors, agents and employees shall fully comply with all applicable state and federal laws and with any and all applicable bylaws, rules, regulations and orders made or promulgated by any government, government agency or department, municipality, board, commission or other regulatory body; and shall provide all certificates for compliance therewith as may be required by such applicable laws, bylaws, rules, regulations, orders, stipulations or plans.
- b. Project Owner shall require any contractor or subcontractor performing work on the Project may be contracted to comply with provisions of this paragraph, and agrees to save and hold SoCalGas harmless from any and all penalties, actions, causes of action, damages, claims and demands whatsoever arising out of or occasioned by failure of Project Owner and/or a contractor or a subcontractor to make full and proper compliance with said bylaws, rules, regulations, laws, orders, stipulations or plans.

## **10. Governing Law**

This Agreement shall be deemed to be a contract made under laws of the State of California and for all purposes shall be construed in accordance with the laws of said state.

## **11. Entire Agreement**

This Agreement, the CPIA, the California Producer Interconnect Collectable System Upgrade Agreement, the California Producer Operational Balancing Agreement and the Confidentiality Agreement between the parties (the "Project Agreements") consist of the entire agreement between the parties on the subject matter hereof and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one of more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

## **12. Enforceability**

If any provision of this Agreement, or the Project Agreement, is to any extent held invalid or unenforceable, the remainder of this Agreement, other than those provisions which have been held invalid or unenforceable, shall not be affected and shall continue in full force and effect and shall be enforceable to the fullest extent permitted by law or in equity.

## **13. Force Majeure**

In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice,

so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. In the event of a delay caused by a force majeure event, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

#### **14. Not a Joint Venture**

Unless specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership or joint venture or to impose a trust or partnership duty, obligation, or liability on or with regard to either party. Each party shall be liable individually and severally for its own obligations under this Agreement.

#### **15. Publicity**

Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

## SCHEDULE C

### PAYMENT PROVISIONS AND RECORD RETENTION

#### 1. Invoicing and Payment for Project Owner Owned Pipeline Infrastructure

- A. SoCalGas shall only be obligated to reimburse Project Owner for allowable expenses for project design, construction or implementation activities in accordance with the: 1) D.17-12-004, 2) Solicitation for SB 1383 Dairy Pilot Projects, and 3) Project Owner Application submitted on or before June 25, 2018 for the Project and any other applicable legal or regulatory requirements.
- B. In the event Project Owner has a dispute with respect to reimbursement by SoCalGas of allowable expenses, the Project Owner shall send a Notice of Dispute to SoCalGas within ten (10) calendar days of SoCalGas' denial of reimbursement of the full amount requested by the Project Owner. The Notice of Dispute must identify the name of the pilot project, set forth the basis for the dispute and provide supporting documentation. After sending Notice of Dispute, Project Owner shall continue to perform all of its obligations and responsibilities under this Agreement; in the event that Project Owner does not perform in accordance with this Agreement, SoCalGas shall have the right to suspend its performance under the Agreement and the related Project Agreements, including but not limited to, any payment and reimbursement obligations.
- C. Invoices for Project Owner Owned Infrastructure shall be submitted in accordance with the following milestone payment structure:
- **Milestone Payment 1:** When the Project spends 35% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure, Project Owner may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
  - **Milestone Payment 2:** When the Project project spends 70% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure, Project Owner may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
  - **Milestone Payment 3:** Reimbursement payment up to 15% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure will be provided to Project Owner after meeting the 30 out of 40 days flow requirement for the Pilot Project Capacity (as defined in CPIA) as follows:

Project Owner must produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of SoCalGas' meter. Project Owner must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Project Owner is unable to produce flow because of an interruption of delivery as set forth in SoCalGas Tariff Rule No. 23. Project Owner may elect to restart the 40 day

testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.

Once the 30 out of 40 days flow requirement is met, the Project Owner must provide SoCalGas with detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed 15% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 4:** The final reimbursement payment of up to 15% of the Agreement Total amount for the Project Owner Owned Pipeline Infrastructure will be provided to Project Owner after meeting the forecasted renewable natural gas production volume of nine hundred thirty-seven (937) MScfD. Once this requirement is met, the Project Owner must provide detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the Agreement Total amount for Project Owner Owned Pipeline Infrastructure to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s). The final reimbursement payment will be available for 2 years, starting from the date the 30 out of 40 days flow requirement is met.

- D. **Withdrawal:** If Project Owner withdraws from the pilot and SoCalGas has incurred any costs, including reasonable costs related to termination of the Project, related to the Project and/or has made any payments pursuant to any of the Project Agreements, the Project Owner must reimburse SoCalGas for such costs and return any payments received.
- E. **Payment:** SoCalGas shall make payment Net 45 Days after receipt and approval of an undisputed invoice in accordance with the Milestones provided in Section C above. Project Owner shall work with SoCalGas to be set-up as a vendor in SoCalGas' accounts payable system and complete the required paperwork to receive automated clearing house (ACH) payments.
- F. **Record Retention**  
Project Owner shall maintain receipts and records for a minimum of five (5) years from December 3, 2018 and make all receipts and records available for inspection and audit upon the request of the Selection Committee, SoCalGas, or any of their designees. SoCalGas is required to submit reimbursement summaries to the Selection Committee and shall make all receipts reviewable by the Selection Committee available upon request.
- G. **Audits**  
The Selection Committee and/or SoCalGas reserves the right to conduct a Financial Audit and/or Critical Project Review upon reasonable notice at any time during the term of this Agreement.

## SCHEDULE D

### PROJECT OWNER - DEMONSTRATION OF PROJECT READINESS

#### CHECKLIST

<b>COMMERCIAL</b>	
<input type="checkbox"/>	Project Funding Matrix (Executed)
	<ul style="list-style-type: none"> <li>• Provided actual executed agreements with all investors</li> <li>• Provide actual executed loan agreements from all lenders</li> <li>• Updated Project Budget, including incorporation of the EPC definitive cost estimate, is within approved funding levels</li> </ul>
<input type="checkbox"/>	Project Materials Supply Agreements Matrix
	<ul style="list-style-type: none"> <li>• All feedstock (manure) supply agreements in place with each dairy with sufficient volume to support operations at full capacity</li> <li>• All chemical or catalyst supply agreements are in place with sufficient volume to support operations at full capacity</li> </ul>
<input type="checkbox"/>	Project Product Off-take Agreements Matrix
	<ul style="list-style-type: none"> <li>• Identify primary partners/clients and projected RNG off-take volumes</li> </ul>
<b>SITE</b>	
<input type="checkbox"/>	Civil Works and Site Plans Stamped by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Geotechnical evaluations – subsurface conditions accounted for in design and construction cost estimate</li> <li>• ALTA (American Land Title Association) Surveys</li> </ul>
<input type="checkbox"/>	Encroachment Permit List/Right of Way Agreements Matrix
	<ul style="list-style-type: none"> <li>• Interconnections (utilities, feedstock, product transportation) have been planned and mutually agreed upon by all associated parties (utility suppliers, feedstock providers, biogas to conditioning/sweetening system(s), etc.)</li> <li>• Identify which permits have been approved and agreements executed and indicate expected dates of completions for those still pending</li> </ul>
<input type="checkbox"/>	Site lease and/or purchase agreements executed for each location
<b>PROJECT</b>	
<input type="checkbox"/>	Project Execution Plan
<input type="checkbox"/>	Long Lead-time/Critical Equipment Issued Purchase Orders and Down Payments
<input type="checkbox"/>	Operations and Maintenance (O&M) Plan
	<ul style="list-style-type: none"> <li>• Overall approach strategy (3<sup>rd</sup> party service provider, self-perform, etc.)</li> <li>• Training and Staffing Plan</li> <li>• Spare parts plan</li> <li>• O&amp;M agreement with service provider(s)</li> </ul>
<b>TECHNOLOGY</b>	
<input type="checkbox"/>	Front End Engineering Design (FEED) Issued by Licensed Professional Engineer

	<ul style="list-style-type: none"> <li>• Process design complete for complete operations at full capacity, including digesters and conditioning/sweetening systems at each dairy, gathering lines, and upgrading plant <ul style="list-style-type: none"> <li>– Process and utility equipment specifications</li> <li>– Process flow diagrams (PFDs) and piping &amp; instrument diagrams (P&amp;IDs)</li> <li>– Mass and energy balance for overall process and each site and system/subsystem</li> <li>– Utility and balance-of-plant support requirements</li> </ul> </li> </ul>
<input type="checkbox"/>	Technical license agreements have been executed and all related fees and royalties are accounted for in capital and operating cost models
<b>ENVIRONMENTAL/REGULATORY</b>	
<input type="checkbox"/>	Project Permit List Matrix (with application status, durations, contacts, costs)
<input type="checkbox"/>	California Environmental Quality Act (CEQA) Determinations Report
	<ul style="list-style-type: none"> <li>• Environmental permit requirements under California Environmental Quality Act (CEQA) and other applicable guidelines and standards as well as local, State and Federal laws are fully identified</li> <li>• Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A of Exhibit 1)</li> </ul>
<input type="checkbox"/>	County Planning Approvals
<input type="checkbox"/>	California Air Resource Board Approvals
<input type="checkbox"/>	California State Water Resources Control Board Approvals
<input type="checkbox"/>	Office of the State Fire Marshal Approvals
<b>CONSTRUCTION</b>	
<input type="checkbox"/>	EPC or Contractor Executed Agreement(s)
	<ul style="list-style-type: none"> <li>• Scope of work</li> <li>• Performance and schedule guarantees</li> <li>• Warranties</li> <li>• Acceptance criteria</li> <li>• Testing criteria</li> <li>• Liquidated damages</li> <li>• Startup/Commissioning</li> </ul>
<input type="checkbox"/>	Baseline Project Schedule

























































































































































































































































































































































































*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*







**SOLICITATION  
FOR  
SB 1383 DAIRY PILOT PROJECTS**

**By  
Selection Committee**

**Thanks to:**

**PACIFIC GAS & ELECTRIC COMPANY**

**SAN DIEGO GAS & ELECTRIC®**

**SOCALGAS®**

**SOUTHWEST GAS CORPORATION**

**For your continued support of these projects.**

**March 7, 2018**

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# CHAPTER 1 – Overview and Protocol

## 1.0 Solicitation Objective

On December 18, 2017, the California Public Utilities Commission (CPUC) issued Decision (D.)17-12-004 which establishes the necessary framework to direct natural gas corporations (“Utility” or “Utilities”) to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system and allow for rate recovery of reasonable infrastructure costs pursuant to Senate Bill (SB) 1383. Participating Utilities are SoCalGas®, Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric® (SDG&E) and Southwest Gas Corporation (Southwest Gas). The objective of this Dairy Pilot Solicitation (Solicitation) is for the Selection Committee to select and award at least five (5) dairy biomethane Pilot Projects that are financially sustainable in the long-term to ensure these investments provide the expected environmental benefits to ratepayers and the State of California.

## 2.0 SB 1383 Background

SB 1383 was signed by Governor Brown on September 19, 2016 and requires the California Air Resources Board (ARB) to approve and begin implementing a comprehensive strategy to reduce emissions of short-lived climate pollutants to achieve a reduction in methane by 40%, hydrofluorocarbon gases by 40%, and anthropogenic black carbon by 50% below 2013 levels by 2030. One of the requirements of SB 1383 requires the CPUC, in consultation with ARB and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system. SB 1383 also states for the purposes of these Pilot Projects Utilities may recover in rates the reasonable cost of Pipeline Infrastructure developed pursuant to the Pilot Projects.

On June 15, 2017, the CPUC issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework which directs the Utilities to implement the dairy biomethane Pilot Projects and allow for rate recovery of reasonable infrastructure costs pursuant to SB 1383. The proposed implementation framework covers four general categories: Pilot Project selection; definition of infrastructure; cost recovery framework; and data gathering. Interested parties were able to comment on the proposed framework consistent with the schedule and procedure described in the Rulemaking and on the scope, the schedule, and other procedural matters.

On December 18, 2017, the CPUC issued Decision D.17-12-004 which establishes the necessary framework to direct Utilities to implement not less than five dairy biomethane Pilot Projects. D.17-12-004 also directs the Utilities to issue a draft Solicitation for the Pilot Projects no later than January 18, 2018. The Selection Committee, made up of CPUC, ARB, and CDFA, controls the terms of the Solicitation and selects the Pilot Projects to move forward to contract with Utilities.

### 3.0 Pilot Project Program Eligibility Requirements

1. The Pilot Projects must utilize biomethane from California dairy operations and result in permanent, annual, and quantifiable Greenhouse Gas (GHG) emission reductions. A dairy operation is defined as an entity that operates a dairy herd, which produces milk, cream, or cheese commercially, and/or whose bulk milk or bulk cream is received or handled by any distributor, manufacturer, or any nonprofit cooperative association of dairy producers.
2. Compliance with the CPUC Strategic Directive on Safety: Under the CPUC Strategic Directive on Safety, the CPUC secures health and safety with a goal of achieving zero accidents and injuries. Within its jurisdictional authority, the CPUC focuses on safety policy, risk management, safety assurance, and safety promotion. The CPUC adopts leading safety policies and standards to maximize safety in a cost efficient manner above and beyond compliance. The CPUC continually identifies, assesses, mitigates, or eliminates the safety risk faced or posed. The CPUC assures that entities comply with the law and have sufficient resources to ensure the safety of the public, workers, and the environment. The CPUC supports efforts to assure that the public, workers and customers, are able to make informed choices and know how to respond to unsafe situations. The CPUC is committed to promoting and continuously improving safety culture.<sup>1</sup>

No funding can be awarded for pipeline construction that carries hydrogen sulfide (H<sub>2</sub>S) at concentration levels detrimental to human health and safety. All projects must submit a safety action plan with initial processes and procedures drafted that indicate potential unsafe conditions and preliminary processes and procedures delineated to respond to each.<sup>2</sup>

3. Existing dairy operations and developers who have a written commitment from a dairy operation are eligible for the Pilot Projects. At least 80% or more dry weight must be manure from dairy livestock.
4. A group of dairy operations can submit one Application to develop centralized dairy digesters, known as a “cluster” or “hub and spoke” project and describe the phased-approached or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The phased-approached cluster project must include a signed lease and feedstock agreement, not just a letter of interest or future addition. The appropriate location of the centralized biogas conditioning/upgrading facility can be determined by participating dairy operations.

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<sup>1</sup>[http://www.cpuc.ca.gov/uploadedFiles/CPUC\\_Public\\_Website/Content/Transparency/Strategic\\_Planning\\_Initiative/Strategic\\_Directives\\_and\\_Governance\\_Policies\\_Revised\\_August%2010,2017.pdf](http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Transparency/Strategic_Planning_Initiative/Strategic_Directives_and_Governance_Policies_Revised_August%2010,2017.pdf)

<sup>2</sup> <https://www.osha.gov/SLTC/hydrogensulfide/hazards.html>

5. To be considered in the selection process, Applicants are required to meet and agree with the following requirements:
  - a. Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A)
  - b. Quantify expected GHG Emissions Reduction
    1. Applicants are required to use the quantification methodology titled “Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Dairy Digester Research and Development Program (DDRDP) Fiscal Year 2017-18” and associated DDRDP GHG Emission Reduction Calculator Tool (ARB GHG Reduction Calculator) developed by ARB. The quantification methodology and tool are available on ARB’s website at <http://www.arb.ca.gov/cqi-quantification>.
  - c. Biomethane produced by the Pilot Project must be used in California
  - d. Report parameters and participate in evaluation (See Section 7.3 and Attachment B)

These requirements allow for compliant operation of facilities under multi-level permitting regimes while ensuring protection of the environment, including reduced methane and criteria pollutant emissions. These terms are non-negotiable.

## 4.0 Dairy Pilot Project Components and Funding

A dairy cluster project consists of various components to move the biogas from each individual dairy to the Utility pipeline. Figure 1<sup>3</sup> illustrates and defines several components of a typical dairy Pilot Project that will be connected to a Utility pipeline.

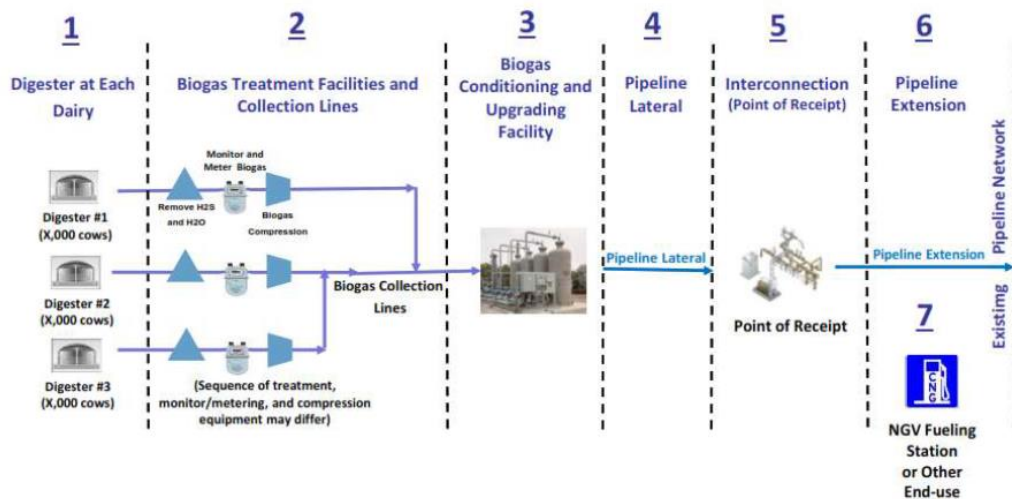


Figure 1: Dairy Biomethane Pilot Primary Components

<sup>3</sup> Figure 1 is from (D.)17-12-004, page 16

For the SB 1383 dairy Pilot Projects, the costs of digesters (Lane 1 of Figure 1), biogas conditioning and upgrading facility (Lane 3 of Figure 1) and NGV fueling station or other end-use (Lane 7 of Figure 1) are **not considered Pipeline Infrastructure** and are **not eligible for funding** from the Utilities.<sup>4</sup>

Biogas from livestock operations that do not directly produce dairy products (“non-dairy”), such as heifer operations, will be allowed to be injected into Pipeline Infrastructure. However, biogas treatment facilities at non-dairy livestock operations and collection lines connecting those non-dairy livestock operations to Pipeline Infrastructure, **are not considered Pipeline Infrastructure**, and **are not eligible for funding** from the Utilities in this Solicitation.

The following Pipeline Infrastructure components **are eligible for funding**:

- a) Biogas collection lines and facilities for treatment of biogas before it enters the collection lines (Lane 2 of Figure 1) – owned and operated by Applicant;
- b) Pipeline lateral and compression that delivers biogas from a biogas conditioning facility to the point of receipt (Lane 4 of Figure 1) – owned and operated by the Utility;
- c) Point of receipt, where the utility receives gas that has been upgraded at a biogas conditioning/upgrading facility (Lane 5 of Figure 1) – owned and operated by the Utility;
- d) Pipeline extension that delivers biogas to the Utility’s existing gas pipeline system (Lane 6 of Figure 1) – owned and operated by the Utility;

If a Pilot Project includes both delivery of biomethane to an onsite electric generator (e.g., combustion turbine, reciprocating internal combustion engine, microturbine or fuel cell) and injection of biomethane into the Utility pipeline, the Pipeline Infrastructure costs that are eligible for funding shall be reduced by the percentage of the biomethane that is delivered to an onsite electric generator, rather than injected into the Utility pipeline. This reimbursement reduction will not apply if the pipeline infrastructure is sized to an appropriate capacity for the amount of biomethane proposed for pipeline injection in the project’s application. This reimbursement reduction will apply if the pipeline infrastructure is sized to include an amount of biomethane that is dedicated for use in an onsite electric generator at the time of the project’s application.

If a Pilot Project obtains feedstock from non-dairy livestock operations, such as heifer operations, and directs biogas from that feedstock into Pipeline Infrastructure that is eligible for funding from the Utilities under Section 4.1 of this Final Solicitation, the Pilot Project is solely responsible for the costs of the biogas treatment facilities and collection lines from those “non-dairy” livestock operations. The Pilot Project is also solely responsible for the incremental cost increase to Pipeline Infrastructure caused by adding “non-dairy” livestock feedstock into Pipeline Infrastructure. An Applicant must include detailed information about this arrangement in the relevant portions of its application such as the general information located in Chapter 1, section 5.5.1 of this Final Solicitation, and the Dairy Waste-to-Biomethane Business Model in

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<sup>4</sup> There are other potential sources of funding for these facilities, such as the CDFR Dairy Digester Grant Program and as stated in (D.)17-12-004, SoCalGas’ biogas conditioning and upgrading services tariff



Chapter 2, section 2.0 of this Final Solicitation.<sup>5</sup> If a Pilot Project decides to add such “non-dairy” livestock feedstock to its project after it is selected as a Pilot Project, the Pilot Project must alert the appropriate Utility and CPUC of that decision and include detailed information about this project addition as requested by the Utility and CPUC. The Applicant (or the Pilot Project) must itemize the incremental cost added to Pipeline Infrastructure by injecting the “non-dairy” livestock biogas into Pipeline Infrastructure for purposes of ensuring appropriate cost reimbursement.

#### **4.1 Applicant Ownership of Pipeline Infrastructure**

Applicant shall own, operate, and maintain in accordance with applicable safety regulations, the biogas collection lines and any biogas treatment or conditioning equipment (Lane 2) to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines. Applicant owned and operated gas gathering lines are regulated under California Code of Regulations (CCR) Title 8 Industry Safety Regulations.<sup>6</sup> The upfront costs<sup>7</sup> associated with the biogas collection lines and treatment equipment will be recovered from utility ratepayers and provided as a reimbursement to the Applicant. To ensure only reasonable and verified costs of Pipeline Infrastructure developed pursuant to the dairy Pilot Projects are collected from ratepayers, Applicant-owned Pipeline Infrastructure costs will be recorded in a Utility balancing account and costs above the bid amount will be subject to reasonableness review by the CPUC.<sup>8</sup> Selected Pilot Projects should keep detailed project and cost information, and be prepared to provide this information should a reasonableness review be necessary.

Applicant may pursue an operation and maintenance contract with an Investor Owned Utility or third party for the Applicant-owned biogas treatment facilities and collection lines so long as contract terms are known, clear, cost effective, and result in increased safety.

#### **4.2 Utility Ownership of Pipeline Infrastructure**

Utilities will own and operate all facilities downstream of the biogas conditioning and upgrading facilities (Lanes 4, 5 and 6), including pipeline lateral and compression from such facilities to the point of receipt and any pipeline extensions. These facilities are also referred to as Utility-Owned Pipeline Infrastructure. Utility owned and operated pipeline facilities are regulated in accordance with PHSMA guidelines, 49 CFR Part 192 and GO 112-F.<sup>9</sup>

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<sup>5</sup> E.g., location of the non-dairy livestock operation, location of the interconnection of the non-dairy livestock biogas with the Pipeline Infrastructure, and methane reductions generated from the non-dairy livestock biogas.

<sup>6</sup> D.17-12-004, COL 4 (page 21)

<sup>7</sup> Excluding any operation and maintenance costs

<sup>8</sup> The bid amount refers to the estimates provided in an Application for Applicant-Owned Pipeline Infrastructure

<sup>9</sup> D.17-12-004, COL 4 (page 21)

## 5.0 How to Participate in the Solicitation

### 5.1 Schedule

The following is a schedule of planned milestones. This schedule is subject to change by the Selection Committee as required:

1. On **January 18, 2018**, SoCalGas will issue a draft joint utility Solicitation.
2. On **January 31, 2018**, SoCalGas will hold a bidder Workshop/Webinar to explain the Solicitation process, gather inputs to clarify the Solicitation process, and to answer questions. Energy Division and ARB staff will participate in the Workshop/Webinar to provide agency perspective.
3. By **February 5, 2018**, interested parties to file Comments to the draft Solicitation (refer to Section 5.3).
4. By **February 12, 2018**, interested parties to file Reply Comments to the draft Solicitation (refer to Section 5.3).
5. On **February 15, 2018**, SoCalGas shall make modifications deemed necessary and submit the revised draft joint utility Solicitation to the Selection Committee at [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) for review and approval. In the submittal, SoCalGas shall provide a short summary of bidders' input on the draft Solicitation and explain the reasons for adopting, modifying, or rejecting bidders' input.
6. On **March 7, 2018**, the Selection Committee will issue the final Solicitation to the market.
7. By **March 17, 2018**, Applicants must submit a request for the Utilities to perform a SB 1383 dairy pilot-specific "Pipeline Infrastructure Scoping and Cost Estimation," providing necessary data such as digester locations and characteristics of biomethane (volume, temperature, pressure, constituents, etc.).<sup>10</sup> A request should be made to the Utility where the proposed Pilot Project is located. As part of this Pipeline Infrastructure Scoping and Cost Estimation, the Utilities will perform the initial desktop engineering studies necessary to assess common-carrier natural gas pipeline offtake capacity, and provide a preliminary design and cost estimates of Utility-owned Pipeline Infrastructure. These costs will primarily be assessed from the engineering office and will not represent a fully-vetted, firm cost estimate. The results of this engineering study will be shared with each Applicant within 45 days of the Applicant's request. After receiving the engineering and cost estimate, the Applicants shall have 15 days to submit changes to its project description. If any changes are made, the Utilities will have another 15 days to provide a final Pipeline Infrastructure Scoping and Cost Estimation.
8. By **June 25, 2018**, Applicants will electronically submit an Application for their proposed dairy Pilot Project(s) to [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) and to the Utilities in their respective service

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<sup>10</sup> The Pipeline Infrastructure Scoping and Cost Estimation is paid for by the Utility.

- territories (use email addresses listed in Chapter 1, Section 5.6) within 110 days following the issuing of the final Solicitation. The Pipeline Infrastructure Scoping and Cost Estimation should include two references to actual historical or current competitive cost data for similar work. The CPUC will evaluate cost estimations (both Utility-Owned Pipeline Infrastructure and Applicant-Owned Pipeline Infrastructure). The Selection Committee and/or independent auditors will evaluate and verify project benefits. The Selection Committee has the discretion to modify the cost estimation (both Applicant and Utility-Owned Pipeline Infrastructure) and GHG Reduction value used as an input for Financial Plan/Soundness (Chapter 2, Section 3.0) and GHG Reduction and Cost Effectiveness (Chapter 2, Section 4.0). Estimated cost documentation provided shall be itemized, such that the CPUC can understand the exact breakdown of labor, operations and maintenance, and capital expenditures for each job activity and each installed piece of equipment.
9. The Selection Committee will choose a short list of Pilot Projects (First Shortlist) based on the selection criteria and submit it to the Utilities to review and refine the Utility-Owned Pipeline Infrastructure cost estimates, including researching land acquisition, site development, right-of-way, metering, gas quality, compression requirements, permitting, regulatory, environmental, unusual construction, operating and maintenance costs.
  10. Within 30 days of receiving the Pilot Project shortlist from the Selection Committee, Utilities will provide refined cost estimates to the Selection Committee that includes reference to actual historical or current competitive cost data for similar work.
  11. Once the refined cost estimates are reviewed, the Selection Committee will submit to the Utilities a narrowed-down selection of at least five projects (Second Shortlist).
  12. Within 30 days of the selection of the final Pilot Projects, Utilities will complete a final Utility-Owned Pipeline Infrastructure cost estimate of projected revenue requirement, including a description of all costs of construction, development of complete engineering construction drawings, preparation of all construction and environmental permit applications and right-of-way acquisition requirements. Reference to actual historical or current competitive cost data for similar work should be included.
  13. With the final Utility-Owned Pipeline Infrastructure cost estimate, the Selection Committee will review and select at least five Pilot Projects based on the Selection Criteria. The Selection Committee has the discretion to choose dairy Pilot Projects that are not the highest scoring to ensure that dairy Pilot Projects are selected in a variety of geographic locations and are developed by at least two or more developers in order achieve project diversity. If there is no consensus within the Selection Committee, the CPUC will make the final selection.
  14. The Selection Committee will inform the Utilities of the selected Pilot Projects, and within 10 days of award, the Utilities will each file a Tier 2 Advice Letter to open a balancing account to record expenditures for biogas collection lines, and a memorandum account to record capital for point of receipts and pipeline extensions.

15. Within 30 days of the date the Selection Committee notifies the Utilities of the selected Pilot Projects, the Utilities will file a Tier 2 Advice Letter seeking approval of the contracts with the dairy Pilot Projects.
16. The Utilities will manage and implement the Pipeline Infrastructure portion of the Pilot Projects in their respective service territories.
17. The Utilities must work with the awarded Applicants to establish a construction plan for necessary Utility-owned Pipeline Infrastructure. The Utilities must pay for and construct the portion of a Pilot Project that is defined as Utility-owned Pipeline Infrastructure.

## 5.2 Applicants Workshop

The Utilities will conduct a workshop/webinar on the SB 1383 Solicitation process on January 31, 2018. All interested Applicants are encouraged to participate in the workshop and details are below:

California Department of Food and Agriculture, Room 101  
 2800 Gateway Oaks Dr,  
 Sacramento, CA 95833

January 31, 2018

1:00 p.m. to 3:00 p.m.

Webinar and call-in information will be posted to the CPUC’s website:

[http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/)

## 5.3 Comments and Reply Comments to the Joint Utility Draft Solicitation

Table 1 provides the schedule for interested parties to file Comments and Reply Comments to the joint utility draft Solicitation. Comments and Reply Comments shall be submitted to the (D.)17-12-004 service list. Comments and Reply Comments will be posted to the CPUC’s website at [http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/).

Comments Due By:	Reply Comments Due By:
February 5, 2018 by 5:00 p.m.	February 12, 2018 by 5:00 p.m.

TABLE 1: Note: All times listed above are Pacific Standard Time (PST)

## 5.4 Questions and Answers to the Final Solicitation

Questions pertaining to the final Solicitation issued by the Selection Committee should be submitted to [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov). Responses to all questions received will be posted to the CPUC’s website at [http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/).

To maintain the integrity of the competitive grant process, the Selection Committee is unable to advise and/or provide individuals with any information except through the process identified above.

## 5.5 Applicant Request for the Utility to Complete a Pipeline Infrastructure Scoping and Cost Estimation

As stated in Step 7 of Chapter 1, Section 5.1, the Applicant is required to submit a Pipeline Infrastructure Scoping and Cost Estimation by March 17<sup>th</sup>, 2018 to the Utility where the proposed dairy Pilot Project is located. The following information is to be submitted to each Utility:

### 5.5.1 General Information to be Provided by Applicant to Utility for Each Project

Provide a map that provides a project overview including:

1. The dairies where the Applicant has an agreement for the feedstock
2. The dairies where the Applicant does not have an agreement for the feedstock but could be added at a future time
3. The location of the dairy digesters: existing, under development, and planned
4. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas conditioning and upgrading facility
5. Location of the central biogas conditioning and upgrading facility
6. Location(s) of the proposed Utility point of receipt
7. Location(s) of the Utility pipeline extension
8. Identify public right-of-way and private right-of-way for each component

### 5.5.2 Utility Specific Information to be Provided by Applicant to Utility for Each Project

Applicant to complete the Utility form where the proposed project is located:

1. **SoCalGas and SDG&E** – Gas Supplier Interconnection Fact Sheet  
<https://www.socalgas.com/1443740708188/gas-supplier-interconnection-factsheet.pdf>
2. **PG&E** – Request for Gas Supply Interconnection  
[https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/interconnection-renewables/interconnections-renewables/request-for-gas-supply-interconnection.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/interconnection-renewables/interconnections-renewables/request-for-gas-supply-interconnection.pdf)
3. **Southwest Gas** – To be included in the Final Solicitation

## 5.6 How to Apply

Applicants are requested to submit an electronic version of their Application in **PDF format** to the Selection Committee at [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) and to the Utilities within their respective

services territories. For SoCalGas and SDG&E, the email address is [SB1383Pilots@semprautilities.com](mailto:SB1383Pilots@semprautilities.com). For PG&E, the email address is [biomethane@pge.com](mailto:biomethane@pge.com). For Southwest Gas, the email address is [KeyAccountManagement@swgas.com](mailto:KeyAccountManagement@swgas.com). Chapter 2 of this Solicitation provides the required documentation for submitting an Application. Applications are due no later than June 25<sup>th</sup>, 2018 at 5:00 p.m. Applications received after this time **will not be accepted.**

## 6.0 Selection Criteria

A Selection Committee comprised of the CPUC as the lead agency, in consultation with ARB and CDEA will determine which dairy biomethane Pilot Project proposals are accepted for inclusion in the dairy Pilot Projects. Applicants shall submit a response that includes a detailed description of the proposed Pilot Project, its operational goals and objectives. The score will be based on the criterion chart below:

Scoring Criteria	Maximum Points
Dairy Waste-to-Biomethane Business Model <ul style="list-style-type: none"> <li>• Dairy Operation</li> <li>• Technology Plan</li> <li>• Marketing Plan</li> <li>• Scalability</li> </ul>	20
Financial Plan/Soundness	15
Greenhouse Gas Reduction and Cost Effectiveness	25
Environmental Benefits	15
Disadvantaged Communities	10
Project Readiness and Implementation	15

Pilot Project Applications will be evaluated and verified by the Selection Committee and/or independent auditors.

Pilot Projects with the five highest scores will be chosen for participation. However, the Selection Committee has the discretion to choose Pilot Projects that are not the highest scoring to ensure that Pilot Projects are selected in a variety of geographic locations and are developed by at least two or more developers to achieve project diversity. In the event of multiple Pilot Projects with identical scores as the fifth-highest, the CPUC representative on the Selection Committee has the discretion to authorize more than five Pilot Projects. The Pilot Projects selected are required to participate in a dairy biomethane evaluation study and to report specified data to the Selection Committee and the California Energy Commission (CEC) on an annual basis.

The Selection Committee may send project applicants written questions about their projects and applications and expect to receive written responses in 10 days.

Depending on the results of this solicitation, the Selection Committee can put forth a future solicitation at its discretion in order to comply with the terms of SB 1383.

## **7.0 Requirements for Selected Pilot Projects**

### **7.1 Agreement/Contracts**

Applicants with Selected Pilot Projects will receive a SB 1383 Agreement package with specific instructions regarding award requirements. Once the agreement(s) are executed, Selected Pilot Projects can begin implementation of the project. Selected Pilot Projects are responsible for the overall management of their awarded project to ensure all project activities are completed. It is required that selected projects will comply with the terms of their application for five (5) years from the date that the project receives Milestone Payment 3.

The target date for Selected Pilot Projects to be connected to the Utility pipeline and flowing renewable natural gas is two years after the Applicant has received notification by the Selection Committee of a successful Application. If the proposed project is not online in two years from the date of selection, the applicant must submit an Extension Request to the Selection Committee delineating project steps and expected online date.

### **7.2 Demonstrate CEQA Compliance**

Selected Pilot Projects must demonstrate substantial compliance with CEQA and all applicable permits within six months of receiving notification from the Selection Committee of a successful bid, with the opportunity to request additional time for good cause. More specifically, Pilot Projects must undergo any required CEQA process to provide information on potential impacts of the project. Continued compliance with all environmental permit requirements is required for the duration of the Pilot Project's operation. CEQA Guidance is located in Attachment A.

### **7.3 Reporting**

Selected Pilot Projects must agree to report specific data to the Selection Committee and the CEC on a quarterly basis. Pilot Projects must also agree to allow these agencies to monitor and evaluate these data. Pilot Projects have an obligation to report the costs incurred, by both the dairy and utility, as long as the pilots are operational or the costs from the Pilot Projects are included in Utility rates, but not to exceed 15 years. Finally, Pilot Projects must agree to participate in reasonable research projects undertaken by these State agencies, sometimes in collaboration with the dairy industry, designed to better understand the emissions profiles of the Pilot Projects, their cost and revenue potential, the relative effectiveness of various design features, as well as reasonable related data reporting parameters. Confidential business information evaluated during reporting,

monitoring, and subsequent research is protected from disclosure under existing law. Details of the report parameters and evaluations are located in Attachment B.

#### **7.4 Interaction Between Existing Public Funding Programs**

Applicant-owned Pipeline Infrastructure costs for which the applicant intends to or does pay with another source of public funding or statutorily authorized funding (such as AB 2313 or the CDFA Dairy Digester Research and Development Program) are not eligible for reimbursement. A project shall document how funds received pursuant to the dairy biomethane pilot project program are spent on costs not otherwise covered by another funding source.

#### **7.5 Reimbursement Mechanism for Applicant-Owned Pipeline Infrastructure**

There will be a milestone payment reimbursement structure for Applicant-Owned Pipeline Infrastructure as follows:

**Milestone Payment 1:** When a selected pilot project spends 35% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 2:** When the selected pilot project spends 70% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project can seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 3:** Reimbursement payment up to 15% of the approved bid amount for Applicant-Owned Pipeline Infrastructure will be provided to the selected pilot project after meeting the 30 out of 40 days flow requirement as established in the Biomethane Monetary Incentive Program established in D.15-06-029, as modified by D.16-12-043:

Applicant to produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of the meter. Applicant must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Applicant is unable to produce flow because of an interruption of delivery as set forth in Rule No. 23. Applicants may elect to restart the 40 day testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.<sup>11</sup>

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<sup>11</sup> See D.15-06-029, p. 42, Conclusion of Law 12; D.16-12-043, pp. 33, 42, Conclusion of Law 2.



Once the 30 out of 40 days flow requirement is met, the selected pilot project must provide the appropriate utility with detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed 15% of the bid amount for Applicant-Owned Pipeline Infrastructure for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 4:** The final reimbursement payment of up to 15% of the bid amount for the Applicant-Owned Pipeline Infrastructure will be provided to the selected pilot project after meeting the forecasted renewable natural gas production volume as provided in the solicitation application. Once this requirement is met, the selected pilot project must provide detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the bid amount for Applicant-Owned Pipeline Infrastructure to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s). The final reimbursement payment will be available for 2 years, starting from the date the 30 out of 40 days flow requirement is met.

- Utilities shall submit reimbursement summaries to the Selection Committee & make all receipts reviewable available upon request.
- If a selected project withdraws from the pilot and has incurred any costs, the project must return any funds received.

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# CHAPTER 1 – Attachments

## ATTACHMENT A: CEQA Guidance

1. **Air Quality Protection.** Projects shall demonstrate protection of air quality such that project specific air quality impacts are mitigated to a level of insignificance. The design and construction of digester vessels (i.e., ponds and tanks), low pressure raw biogas pipeline, biogas upgrading and conditioning equipment, biomethane compression equipment, post-cleanup pipeline and interconnection components under this program shall be demonstrated to be protective of air quality. To meet air quality requirements, the following is required:
  - a. Pilot Projects must prepare and deploy methane leak detection or a plan covering the interconnection point, post-upgrading pipeline, compressor stations, biogas upgrading system, low-pressure pipeline, and anaerobic digester. Post-upgrading component methane leak monitoring shall be conducted in accordance with the leak<sup>12</sup> detection and repair<sup>13</sup> requirements of Section 95669 (Leak Detection and Repair) of the ARB Oil and Gas Regulation (California Code of Regulations, Title 17, Division 3, Chapter 1, Subchapter 10 Climate Change, Article 4)<sup>14</sup> and is the responsibility of the gas corporations. The cost of methane leak detection equipment is recoverable in rates.
  - b. Projects with existing or planned onsite generation technologies operating on dairy biogas (e.g., combustion turbine, reciprocating internal combustion engines, microturbines or fuel cells) must meet Best Available Control Technology (BACT) standards under new source review and shall demonstrate compliance for the life of the project.
  - c. Flaring of raw biogas or biomethane meeting pipeline specifications shall only be allowed in case of emergency. The local Air District(s) shall define what constitutes an emergency under this provision.
  - d. Any offsite emission reductions to offset a project’s criteria pollutant and toxic air contaminant emissions must occur in the same air basin as the project site.
2. **Water Quality.** Projects shall demonstrate protection of water. The design and construction of digester vessels (i.e., ponds and tanks) under this program shall be demonstrated to be protective of surface and ground water quality as determined by the appropriate regional water quality control board, including, but not limited to, each of the following:
  - a. Double-lined ponds consistent with the Tier 1 specification of the Dairy General Order (R5-2013-0122) of the Central Valley Regional Water Quality Control Board;
  - b. Above-ground tank;
  - c. Below-grade concrete lined tank

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<sup>12</sup> Leak is defined in § 95667 (a)(27) of the ARB Oil and Gas Regulation as “the unintentional release of emissions at a rate greater than or equal to the leak thresholds specified in this subarticle.”

<sup>13</sup> Leak detection and repair is defined in § 95667 (a)(28) of the ARB Oil and Gas Regulation as “the inspection of components to detect leaks of total hydrocarbons and the repair of components with leaks above the standards specified in this subarticle and within the timeframes specified in this subarticle.”

<sup>14</sup> Text of the Oil and Gas Regulation, effective October 1, 2017 is available at: <https://www.arb.ca.gov/regact/2016/oilandgas2016/ogfro.pdf>

## **ATTACHMENT B: Data Reporting Parameters and Participation in Evaluations**

Each selected dairy Pilot Project must participate in data reporting and evaluations and shall be submitted to the Selection Committee and CEC on a quarterly basis. Commercially sensitive data may be submitted with a request for limits on disclosure. Data reporting includes:

- A. Pilot Project Information and Description, including (but not limited to):
  1. Location
  2. Detailed dairy cow population (by dairy for clusters, segregated by age, gender, and lactation status)
  3. Discussion of business model
  4. Demonstrated dairy/site control for third party developer projects
  5. Description of current manure handling and all proposed modifications
  6. Description of equipment to be installed, including location of any centralized facilities shared between dairies
  7. Proximity to pipeline with injection capacity
  8. Proximity to transportation corridors
  9. Proximity to disadvantaged communities as defined by the Office of Environmental Health Hazard Assessment (OEHHA) by CalEnviroScreen 3.0.
  10. Description of related on- and off-dairy heavy-duty vehicle fleets (milk hauling, feed delivery) that could potentially be converted to low-NOx natural gas power.
  11. Discussion of fuel and transportation off-taker contracts completed or under development.
  
- B. Provide all information listed in the “FAAST Grant Application Questions”<sup>15</sup> section of the CDFA’s 2017 Dairy Digester Research and Development Program Solicitation.
  
- C. Costs, including but not limited to:
  1. Project Development and Construction, including the cost of design, engineering, installation, and individual component capital costs (e.g. including digesters, gathering lines, biomethane upgrading/conditioning, and pipeline injection point of receipt), including how any project delays impacted costs;
  2. Interconnection Studies;
  3. Component Operation and Maintenance (including consumables, labor, and energy requirements); and
  4. Description (including total amounts) of costs recovered through the utility ratebase.

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<sup>15</sup> Referenced material currently begins on page 12 of the May 3, 2017 Request for DDRDP Grant Applications <https://www.cdfa.ca.gov/oefi/ddrdp/>

D. Costs shall also be reported as follows:

1. Energy production cost-effectiveness (annual diesel gallon equivalents (DGEs) produced divided by annualized project expenditures);
2. Methane emissions abatement cost effectiveness (annual emissions avoided divided by annualized project expenditures); and
3. Percent of total project costs recovered from utility ratepayers (defined as Pipeline Infrastructure Costs).

E. Project developers agree to allow the following to be monitored, evaluated, or otherwise studied:

1. Feasibility
2. Cost-effectiveness
3. Method to track and verify delivery of biomethane to transportation fuel fleets or customers
4. Determinants of technical performance, including the following:
  - i. Emissions (GHG and criteria) and emissions reductions
    - Methane emission reductions must be calculated using either the ARB Livestock Projects Compliance Offset Protocol<sup>16</sup> or the FY 17/18 CDFA Dairy Digester Research and Development Program Quantification Methodology.<sup>17</sup>
    - Projects are required to provide GHG calculations in the following formats:
      - Total annual biomethane injection;
      - Total annual GHG emission reduction;
      - GHG reduction per unit of energy-corrected milk (ECM) produced by the dairy operation;
      - GHG reduction per dollar CDFA-DDRDP and additional GGRF (if any) grant money invested. (If applicable)
  - ii. Renewable energy potential (amount of biogas and fuel produced)
  - iii. Effectiveness of selected technology components
    - Dairy digestion technology, including monitoring and testing of baseline and post-digester emissions, at a minimum methane, nitrous oxide, criteria pollutants, and toxic air contaminants from anaerobic digestion, handling of post-digestion manure, and any other air emissions from a project
    - Biogas upgrading and conditioning, including monitoring biogas quality achieved pre- and post-cleanup by methods including, but not limited to standard leak-detection and remote sensing

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<sup>16</sup> Information on the ARB Livestock Projects Compliance Offset Protocol available on the ARB website at:

<https://www.arb.ca.gov/cc/capandtrade/protocols/livestock/livestock.htm>

<sup>17</sup> The Greenhouse Gas Quantification Methodology for the CDFA DDRDP is available at:

[https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/cdfa\\_ddrdp\\_finalqm\\_17-18.pdf](https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/cdfa_ddrdp_finalqm_17-18.pdf)

- Pipeline and interconnection point of receipt
  - iv. Impact on daily operation of dairy
  - v. Lessons learned
    - Key ingredients for success
    - Pitfalls to avoid
    - Potential for cost reductions
    - Transferability to other biomethane submarkets (e.g., wastewater treatment plants, organic diversion at landfills, food waste)
  - vi. Scalability and replication potential
5. Future research<sup>18</sup> related to understanding and encouraging dairy pipeline injection projects.

F. Prior to project initiation,<sup>19</sup> project developers must conduct reasonable outreach to neighboring disadvantaged communities identified by CalEnviroScreen 3.0,<sup>20</sup> as specified by the Selection Committee, and CEC as appropriate, concerning project benefits, impacts, and measures that will increase benefits and reduce impacts. Input from the communities must be solicited, recorded, and (when feasible) incorporated into development plans. Agency representatives will attend the outreach events when feasible. Summaries of comments received, and proposed responses to each will be prepared and submitted to the agencies for approval.

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<sup>18</sup> This requirement allows for appropriate planning and allocation of funding and resources for integrated interagency research plans and projects which may not be finalized before the release and adoption of the Rulemaking. ARB desires to retain the right to conduct reasonable research on pilot project facilities in the event that research plans and projects are not finalized before pilots are selected.

<sup>19</sup> For the purposes of the pilot project selections, ARB defines “prior to project initiation” for environmental justice outreach purposes as meaning before biomethane commences injection into the natural gas pipeline network.

<sup>20</sup> Information on CalEnviroScreen 3.0 is available at: <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

## **ATTACHMENT C: Confidentiality**

### **Selection Committee Confidentiality Requirements**

For the solicitation process, utilities will treat information confidentially as follows:

### **Utility Confidentiality Requirements**

- **SoCalGas and SDG&E**

When a party requests an Interconnection Capacity Study under the existing Rule 39 process, one of the first steps is for the party and SoCalGas/SDG&E to execute a Non-Disclosure Agreement (NDA) to ensure information exchanged remains confidential. SoCalGas and SDG&E will utilize this same existing procedure for the Solicitation and will execute a NDA with the Applicant immediately after the Applicant requests a Pipeline Infrastructure Scoping and Cost Estimation (Step 7 of Chapter 1, Section 5.1). This will ensure the information exchanged during the Solicitation process will be treated as confidential.

- **PG&E**

At the time Applicants submit a request for PG&E to perform a “Pipeline Infrastructure Scoping and Cost Estimation” (Step 7 of Chapter 1, Section 5.1), PG&E will require execution of a Non-Disclosure Agreement to protect proprietary information furnished to the Applicant.

- **Southwest Gas**

As applicable, Southwest Gas will negotiate an NDA with Applicants to ensure information exchanged remains confidential.

## ATTACHMENT D: Key Terms and Definitions

Word/Term	Definition
Applicant(s)	The respondent(s) to this solicitation
Applicant-Owned Pipeline Infrastructure	Applicant shall own and operate the biogas collection lines and any biogas treatment or conditioning equipment to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines (refer to Chapter 1, Section 4.0, Figure 1, Lane 2)
Application	An applicant's formal written response to this solicitation
Greenhouse Gas (GHG) Emissions Reduction	A calculated decrease in GHG emissions relative to a project baseline scenario over a specified period of time.
Pilot Pilots	Dairy pilot projects that propose to demonstrate interconnection to the common carrier pipeline system under SB 1383
Pipeline Infrastructure	Includes both Applicant-Owned Pipeline Infrastructure and Utility-Owned Pipeline Infrastructure (refer to Chapter 1, Section 4.0, Figure 1, Lanes 2, 4, 5 and 6)
Rulemaking	CPUC (R.) 17-06-015
Selected Pilot Projects	Dairy Pilot Projects selected by the Selection Committee to demonstrate interconnection to the common carrier pipeline system under SB 1383
Selection Committee	Made up of CPUC, ARB, and CDFA, controls the terms of the Solicitation and selects the Pilot Projects to move forward to contract with Utilities
Selection Criteria	As described in Chapter 1, Section 6.0
Utility or Utilities	Pacific Gas & Electric (PG&E), San Diego Gas and Electric (SDG&E), SoCalGas, and Southwest Gas Corporation (Southwest Gas)
Utility-Owned Pipeline Infrastructure	Utility owned and operated pipeline lateral and compression, interconnection point of receipt, and interconnection pipeline extension (refer to Chapter 1, Section 4.0, Figure 1, Lanes 4-6)



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## CHAPTER 2: Required Documentation For Submitting Application

**Include:** Applicant shall respond to all questions in adequate detail for Sections 1 to 7 below, which will be inputs for the Selection Criteria.

**Format for Submittal:** Times New Roman font size 11, 1 inch margins, and single-spaced. Do not change order of sections, margins, font size, or spacing. Label all supplemental attachments according to their numbering below. If providing additional supporting documentation, commence numbering and make it clear which Application section it applies to.

### 1. Pilot Project Basics

<b>Pilot Project Name:</b>	
<b>Applicant Entity:</b>	
<b>Additional Pilot Project Partners:</b>	
<b>Dairy Cluster? (Y/N):</b>	
<b>Dairy Location(s) - City, County:</b>	
<b>Existing Digester(s)? (Y/N):</b>	
<b>Existing or Anticipated Contract(s) for Electric Generation? (Y/N):</b>	
<b>Primary Contact Name:</b>	
<b>Primary Contact Email:</b>	
<b>Primary Contact Phone:</b>	
<b>Executed Feedstock Agreement</b>	
<b>Existing Site Control Agreement</b>	

### 2.0 Dairy Waste-to-Biomethane Business Model (Maximum Points = 20)

#### 2.1 Dairy Operation

- 1) Provide the details of the history and background for each dairy operation for the Pilot Project.
  - a. Provide herd size and breed, including average number of lactating cows (in freestalls and in open lot corrals), dry cows, replacement calves, replacement heifers, and any other livestock for each dairy.
  - b. Explain the current management practices in detail, including a description of lagoon(s) size (depth and volume) if currently using lagoon storage, parlor water use, bedding type, method and frequency of manure collection including percent of manure collected from each production group (i.e., lactating cows, heifers etc.).

- c. As **Attachment 1**, include a schematic diagram showing total solids flows into and lost from the manure treatment system.
  - d. Provide details of quantity, location, and source of manure and other materials (if any) digested, and quantify minimum daily total solids loads needed for the system to operate optimally.
  - e. Explain if each facility will be able to guarantee the minimum feedstock needed for each digester, and how manure will be handled when the system is not operational.
- 2) For the Pilot Project, describe the phased-approach or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The Selection Committee will only consider GHG emission reductions based on executed feedstock agreements in this scoring criteria. The Selection Committee may also review and consider future expected feedstock agreements, but these non-executed agreements will not be considered for methane destruction scoring purposes.
  - 3) Explain in detail how current dairy manure management operations compare to the proposed pilot methane management operations.
  - 4) As **Attachment 2**, provide a map (as included in your Pipeline Infrastructure Scoping and Cost Estimation Request) that provides a project overview including:
    - a. The dairies where the developer has an agreement for the feedstock
    - b. The dairies where the developer does not have an agreement for the feedstock but could be added at a future time
    - c. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas upgrading facility
    - d. Location of the central biogas upgrading facility
    - e. Location of the utility point of receipt
    - f. Location of the utility pipeline extension
    - g. Identify public right-of-way and private right-of-way for each component

## 2.2 Technology Plan

- 1) Dairy Digesters
  - a) Describe the proposed digester technologies in sufficient detail to explain how it works and its technical feasibility and/or commercialization status.
  - b) Provide a clear description about what the Pilot Project is currently committed to accomplish and future plans.
  - c) In **Attachment 3**, provide Project design documents, including schematics, figures, graphics and plans, must be submitted as part of the Application. Project designs must be approved by a licensed professional engineer. Details such as digester volume, solids and hydraulic retention times and mass balance through the digester must be included. Mass balance must be illustrated in an annotated diagram with the following components clearly indicated:
    - Manure input rate (mass or gallons with estimated total solids)
    - Digestate outflow rate (mass or volume with estimated total solids)
    - Expected bio-gas flow with methane content estimate.
- 2) Biogas Collection Lines
  - a) Describe how biogas collection lines will be maintained in accordance with city, state and local codes, and any other codes and regulations that are applicable.
  - b) Describe any additional measures, beyond what is required in code, that will be taken to ensure the safe installation (e.g., installation depth, utility clearance, safety tape/mesh).
  - c) Describe any additional measures, beyond what is required in code, that will be taken to ensure the ongoing safety performance with operation and maintenance of the pipelines (e.g., leak survey, valve installation).

- d) Describe any permits required for the installation and maintenance of the biogas collection lines and the status of each permit.
  - e) Describe how to manage any condensates in the lines and monitoring of integrity.
  - f) As **Attachment 4** provide a diagram or a drawing showing the expected pressures and temperatures at various points in the biogas collection lines. Provide the type(s) of materials used to create the biogas collection lines.
- 3) Biogas Conditioning and Upgrading Facility
- a) Describe the proposed biogas conditioning/upgrading technologies in sufficient detail to explain how it works and its technical feasibility and/or commercialization status.
  - b) Describe any gas processing of the biogas at each dairy prior to the biogas entering collection lines.
  - c) Describe any gas compression of the biogas to be done at each dairy prior to the biogas entering the collection lines.
  - d) In **Attachment 5** provide the following:
    - Process flow diagrams for the central biogas conditioning and upgrading facility, include expected pressure of the biogas entering the central biogas conditioning and upgrading facility.
    - Describe the design parameters for the biogas upgrading facility:
      - Flow capacity
      - Gas composition of feed gas
      - Gas composition of product gas
      - Heat and Material Balance
      - Preliminary calculations
      - Equipment data sheets
      - Utility requirements
      - Chemicals used (provide Safety Data Sheets)
  - e) Describe the nitrogen and oxygen removal capabilities (include maximum levels). If so, what are the maximum levels of nitrogen and oxygen while still able to meet the utility pipeline quality specifications.
  - f) Describe any performance guarantees provided by the biogas upgrading system vendors.
  - g) Should the renewable natural gas not meet pipeline quality specifications and the Utility does not accept the gas into the common carrier pipeline, explain how the applicant will remedy this situation, including description of how any non-compliant gas and upstream gas production will be managed through this process.
  - h) Describe how the biogas upgrading facility will be installed in accordance with city, state and local codes, and any other codes and regulations that are applicable
  - i) Describe any additional measures, beyond what is required in code, that will be taken to ensure safe installation
  - j) Describe any additional measures, beyond what is required in code, that will be taken to ensure the ongoing safety performance with operation and maintenance of the biogas upgrading facility
  - k) Describe any permits required for the installation and maintenance of the biogas upgrading facility and the status of each permit
  - l) Describe expected amount of tail gas flaring, including methane content and expected combustion emissions.

- 4) Pipeline Lateral and Compression
  - a) Provide the distance from the biogas conditioning and upgrading facility to the point of receipt.
  - b) Provide the expected pressure (minimum, average and maximum in psig), temperature, gas composition, and volumes (minimum, expected average and maximum in standard cubic feet per hour) of the renewable natural gas leaving the biogas conditioning and upgrading facility and entering the pipeline lateral.
  - c) Provide site conditions including ambient temperatures, elevation and available utilities.
- 5) Complete End-to-End Technology Solution (Digester to Central Conditioning/Upgrading Facility)
  - a) Describe how proposed technologies and processes contribute to the facility's/project's ability to compete in the commercial California marketplace. Provide assumptions and sources of relevant data.
  - b) Identify and document the role of technology partners, including the legal or contractual relationship and obligations between partners.
  - c) If applicable, discuss how the proposed technology is a transformative approach to tackling a critical technology issue or market barrier.

### **2.3 Marketing Plan**

- 1) Identify credible target markets for biomethane, market drivers, and anticipated market growth.
- 2) Identify market barriers to the development of dairy biomethane, including existing or potential competitions, and how the Pilot Project will overcome them.
- 3) Describe and document the role of strategic marketing partners, customers, and other partners in ensuring Pilot Project success, including fuel and co-product off-take agreements (existing or conditional agreements).
- 4) Submit preliminary draft 1-page summary showcasing the benefits of the project. Please include information for public consumption including: costs, benefits, uses of new technology, partnerships, community benefits, any other information that could be provided to the public to explain why the project is of benefit to the State of California.

### **2.4 Scalability**

- 1) Discuss the replicability of the proposed digester and conditioning technologies and the long-term viability of scaling up capacity.
- 2) Describe how feasible it is for the interconnect location to accept biomethane from potential additional digesters.
- 3) Describe the potential for future expected feedstock agreements and the expected timing for such agreements and the inclusion of such feedstock in proposed Pipeline Infrastructure.

### **2.5 Project Team Qualifications**

- 1) Provide a list of team members along with a short description of their qualifications, experience, technical expertise, capabilities, and credentials (e.g., a professional resume). This must include at a minimum, project developers, project manager, and participating dairy farmer(s). Applicant must identify why this particular team composition and representation will enable successful implementation of the proposed work plan. Collaboration is encouraged.

- 2) If a Pilot Project is being submitted by a project developer, a contractual agreement documenting project support from the dairy producer(s) must be included as **Attachment 6**. Letters of commitment from team members demonstrating understanding of their participation and specific role(s) in the Pilot Project must also be included.
- 3) Provide an explanation of how various tasks will be managed and coordinated and how the Pilot Project manager's technical expertise will help achieve the goals of the project. Describe previous experience of the Pilot Project team with dairy digester projects in California or other parts of the United States.
- 4) List past successful digester projects developed by the Pilot Project team, including digesters implemented in California and their operational status.

## **2.6 Long Term Viability of Project**

- 1) Demonstrate how the operations and maintenance costs of the Pilot Project will be sustained for the life of the Pilot Project. Explain all ongoing funding sources for the Pilot Project. List personnel positions assigned to carry out operations and maintenance through the life of the Pilot Project.
- 2) Examine, compare and describe the availability of required replacement parts and qualified service personnel to keep the system operating as effectively as possible with a minimum amount of downtime for repairs or maintenance. Provide information regarding availability of replacement parts and qualified service technicians, the cost of commonly replaced parts/services, and the availability of included maintenance packages.

## **3.0 Financial Plan/Soundness (Maximum Points = 15)**

### **3.1 Economic Viability**

- 1) Demonstrate economic viability of the proposed Pilot Project by providing the following financial documentation (with assumptions listed) over the duration of the proposed Pilot Project.
- 2) In **Attachment 7** provide balance sheet and cash flow statements for the past three (3) year for Applicant's firm and any other partners that have a substantial stake in the Pilot Projects, if available. Documents must be audited and certified by a Certified Public Accountant (CPA). If audited financial statements are not available by submission date, then financial statements certified by a CPA are acceptable.
- 3) In **Attachment 8** provide five-year pro forma financial statements for Applicant's firm and any other partners that have a substantial stake in Pilot Project, including projected balance sheet, income statement, cash flow statement, and debt service schedule for existing and planned long-term debt, if any. List assumptions, including but not limited to, market supply and demand conditions of the industry, market fluctuations, and monthly or quarterly fixed costs and variable costs.
- 4) In **Attachment 9** (the Project Scoping and Cost Estimation) provide Applicant's estimated costs should include the following: Pipeline Infrastructure (include all Applicant and Utility owned infrastructure costs, biogas treatment facilities and collection lines and compression, point of receipt, pipeline lateral and Utility-owned compression, pipeline extension, etc.), equipment (e.g., valves, meters, and protection devices), digester, conditioning facility, design, engineering, and installation costs. Within each job activity, cost should be broken down by labor, operation and maintenance, and each installed piece of equipment. At least two references to actual historical or current competitive cost data for similar work must be included to justify the cost for biogas collection line, conditioning equipment to remove hydrogen sulfide and water from the raw biogas, pipeline lateral, point of receipt, and pipeline extension. CPUC has the discretion to modify the cost estimation. An Applicant pursuing a phased approach to its project should include anticipated costs of all phases of the Pilot Project. The phased-approached cluster Pilot Project must include a signed lease and a feedstock agreement, not just a letter of interest or future

addition. Include all Utility supporting documentation, reports, studies, etc. used to calculate Utility owned infrastructure costs.

- 5) Identify applicant's sources of funding for the Pilot Project, such as grants, loans and equity contributions, and types, terms, and conditions of match agreements. If funding is from a public funding source, identify what project components will be paid for by the public funding source. Project funding should be described by both financial resources and percentage of total equity. Provide contact information for each match source.
- 6) Identify the financial risks to the proposed Pilot Project and describe the methods the Applicant will use to effectively manage and mitigate those risks. At a minimum, Applicant should address risks associated with construction, cost overruns, operation, maintenance, technology, regulations, and economic conditions.
- 7) Demonstrate the economic viability of the long-term plan following Pilot Project completion.
- 8) Identify and demonstrate how co-products or other revenue streams contribute to the business plan. Discuss assumptions about expected income from all revenue sources. Discuss how much Pilot Project viability depends on co-product revenues.
- 9) Discuss estimated values and planned disposition of any potential Low Carbon Fuel Standard credits, Renewable Fuel Standard Program credits (RINs), and/or carbon cap-and-trade credits.
- 10) List any pending or filed litigation in which Applicant is a party, and explain the extent of Applicant's liability coverage, if any. **Please list only litigation that pertains to or impacts the Pilot Project's execution. Explain how the pending or filed litigation affects the applicant's ability to complete and/or operate the Pilot Project.**
- 11) Will any of the biogas flowing through the collection lines not be injected into the utility pipeline system? If yes, please provide: 1) the expected total volume (standard cubic feet per day) of biogas flowing through the collection lines and 2) the volume of biogas flowing through the collection lines that will not be injected into the pipeline and the end-use equipment for this biogas.
- 12) In **Attachment 10** provide the Applicant's proposed schedule. The schedule should include the tasks identified in Attachment 9, the Project Scoping and Cost Estimation. CPUC has the discretion to modify the project schedule. An Applicant pursuing a phased approach to its project should include anticipated schedule of all phases and major milestones of the Pilot Project. Include the permitting schedule (as described in Chapter 2, Section 7.1).

## **4.0 GHG Reduction and Cost Effectiveness (Maximum Points = 25)**

### **4.1 Greenhouse Gas Reduction**

Explain how the proposed Pilot Project will result in reduction of metric tonnes of GHG emission annually compared to existing practices for the dairy. Provide the estimated GHG emission reduction resulting from the proposed Pilot Project(s) based on executed feedstock agreements. The Selection Committee will not consider GHG emission reductions that are based on future expected feedstock agreements in this scoring criteria. Download and complete the ARB GHG Emissions Reduction Calculation Tool. Scroll down and select latest version of the CDFA Dairy Digester Research and Development Program. The tool may allow applicant to change the default setting if justification is made with reference to research studies (e.g., electrical conversion efficiency for specific technology). However, this setting is currently being evaluated by ARB and CDFA and may change in future versions.

<https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm>

### **4.2 Cost-Effectiveness**

A higher score will be given to Pilot Projects providing the greatest GHG emissions reductions per dollar invested (cost-effectiveness). Provide a description and relevant documentations of the cost effectiveness of

the proposed Pilot Project, measured according to a standard cost-effectiveness metric. A standard cost-effectiveness methodology is dividing the amount of estimated methane emission reductions, based on executed feedstock agreements, over 10 years based on the California Air Resources Board's "Dairy Digester GHG Emission Reduction Calculator" by the total cost of the project based on the Pipeline Infrastructure costs which includes utility reimbursement for biogas collection line(s) and the utility's "Project Scoping and Cost Estimation," (Attachment 9) which includes construction, maintenance and operation cost for pipeline lateral, compression, point of receipt, and pipeline extension. The Selection Committee will not consider GHG emissions reductions that are based on future expected feedstock agreements in this scoring criteria.

- Please indicate in cost estimates what costs are related to safety as these costs are necessary components of the dairy pilots.

#### **4.3 Justification and Reference Requirement**

Inputs to the applicant's GHG emission reduction and the cost estimation may be added or modified if the Selection Committee finds it inadequate. Justification must be made if there are changes to the default setting in the GHG emission calculation tools. At least two references are required to support the cost estimation. References should include historical or current competitive cost data for similar work.

### **5.0 Environmental Benefits (Maximum Points = 15)**

#### **5.1 NOx and Criteria Pollutants**

- 1) Priority will be given to projects based on the criteria pollution benefits achieved by the project. Describe the Pilot Project's impact on NOx, other criteria pollutants, toxic air contaminants and hazardous air pollutants. Include all potential emission sources and how emissions would change before and after implementation of project. In **Attachment 11** provide supporting documents to support written explanation. Examples of options that can reduce or minimize generation of air pollutants mentioned above include, but are not limited to, upgrading biogas to biomethane for vehicle fuel production (either onsite or through injection into a common Carrier Pipeline), Microturbine Installation (onsite Electrical Generation), Fuel Cell Installation (Onsite Electrical Generation), Natural Gas Process Fuel Replacement, Agricultural Pump Electrification.
- 2) A higher score will be given to Pilot Projects that minimize criteria pollutant and Toxic Air Contaminant (TAC) emissions and maximize net criteria pollutant reductions.

#### **5.2 Mitigate Emissions On-Site**

Explain how the proposed Pilot Project will incorporate feasible mitigation measures, in accordance with the California Environmental Quality Act, to mitigate to a level that is less than significant, any potential adverse impact on local air quality from project specific criteria pollutants and TAC emissions from all aspects related to the project, including emissions resulting from construction, operation of the project, and resultant increases in vehicle miles travelled to and from the project site. Emissions not associated with the operation of the pilot project (e.g., agriculture pumps, normal farm vehicle operation, etc.) do not require mitigation. Any offsite mitigation of project's criteria pollutant and TAC emissions must occur in the same air basin as the project site.

- Describe related on-dairy heavy-duty vehicle fleets (milk hauling, feed delivery) that could potentially be converted to low-NOx natural gas power.

#### **5.3 Mitigate Emissions Off-Site**

Explain how the proposed pilot project reduces net criteria pollutant emissions.

- 1) Provide information and description of the project's proximity to transportation corridors.



- 2) In **Attachment 12** provide documents that support vehicle fuel sold to and utilized by freight transport vehicles along the State's major freight and transportation corridors (e.g., Interstate 5, State Route 99) or other locations.
- 3) In **Attachment 13** provide documents that verify any partnership with local delivery fleets (e.g. milk hauling, feed delivery) to convert diesel freight vehicles to natural gas vehicles and supply them with renewable compressed natural gas from a pilot injection project. These conversions will reduce NOx and diesel particulate matter of existing fleets.
- 4) In **Attachment 14** provide documents that verify contracts for the use of pipeline-injected renewable natural gas in electricity generation.

#### 5.4 Project Co-Benefits

Describe any additional environmental co-benefits the project will have beyond methane reductions and mitigation of NOx and other criteria pollutants, toxic air contaminants and hazardous air pollutants. Provide an explanation of additional co-benefits provided by the Pilot Project by written explanation, supporting documentation and citations from published literature. Examples of additional co-benefits that can potentially increase the project ranking include, but not limited to: clustering of projects; water conservation measures; water quality improvements; development of value-added post-methane production products such as fertilizers and soil amendments; utilization of waste heat; and expanding RCNG vehicle fuel network and on-farm equipment or transportation fleet conversion from fossil fuel use to electricity, RCNG or CNG.

### 6.0 Disadvantaged Communities (Maximum Points = 10)

#### 6.1 Community Impacts and Mitigation

A proposed Pilot Project that thoroughly explains, discusses, quantifies, and mitigates impacts and demonstrates outreach and engagement efforts will receive higher scores (e.g., a community benefit agreement will receive a higher score compared to community meeting summary).

- 1) Provide information and describe the project's proximity to disadvantaged communities.
- 2) Discuss and quantify the potential impacts (positive or negative) of the proposed Pilot Project on disadvantaged communities within California (within the top 25 percent of disadvantaged communities as defined by CalEnviroScreen 3.0).<sup>21</sup>
- 3) Describe in detail specific mitigation measures that will be included in the Pilot Project, including but not limited to, methods to mitigate impacts such as toxic air contaminants, hazardous air pollutants, criteria pollutants, groundwater and surface water impacts, truck traffic, and odor.
- 4) Describe how the Pilot Project proponent(s) engaged the community. Did community-based non-profit organization(s) involved in potentially impacted communities provide assistance in engagement efforts? Did discussion include potential adverse impacts of proposed Pilot Project(s), including a net increase in criteria pollutants, toxic air contaminants, hazardous air pollutants, groundwater and surface water impacts, and truck traffic, and odor?
- 5) List the public, community organizations and/or government stakeholders involved.
- 6) Provide details of community meetings, including but not limited to method of notification, attendance, location, date/time, translation services provided, childcare provided, meals provided.
- 7) In **Attachment 15** provide support letters from community members and/or leaders demonstrating that outreach was conducted (at least 3).

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<sup>21</sup> <http://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

- 8) Describe any community benefits agreement with local communities that describes the intentions for developing mutually beneficial outreach and requirements for each group.

## 6.2 Localized Economic Benefits

Applicants must explain economic benefits that will be provided to the community (or communities) where the Pilot Project is located. If your project will create temporary construction and/or permanent jobs in the community, indicate how many jobs, total project work hours, job classification/trade, approximate salaries and benefits for each job classification and trade, how long these jobs will last, and how they compare to current unemployment rates. Please be consistent with project work plan and the budget.

## 7.0 Project Readiness and Implementation (Maximum Points = 15)

- 1) **Overall Readiness/Permitting.** Include information about the permitting required for the Pilot Project and whether or not the permitting has been completed. This includes any description of permits required for the Utility-owned Pipeline Infrastructure. If the permitting has not been completed, include a permitting schedule that ensures successful project completion within the timeframes specified in this solicitation.
- 2) **Site Control.** In **Attachment 16** describe the proposed Pilot Project site and provide documentation and/or descriptions of site and equipment control. This includes any site control required for the Utility-owned Pipeline Infrastructure. Site and equipment control includes, but is not limited to: leases, ownership, or access rights. Proposed point of interconnection to a natural gas pipeline must be identified along with the distance between the proposed project and proposed point of interconnection. Applicants must also demonstrate thorough safety, maintenance, and training procedures will be in place.
- 3) **California Environmental Quality Act.** Include information documenting progress towards achieving compliance under the California Environmental Quality Act (CEQA). If CEQA compliance has not been obtained for an application, then include a schedule to complete CEQA activities for the proposed project.
- 4) **Community Outreach.** Include information about planned community outreach, including outreach and discussions with fire marshals and educational efforts to explain the proposed project to the public.
- 5) **Previous awards.** Include any received previous grants or awards from CEC, CDFG, and ARB, and describe how the requirements of the agreement(s) have been fulfilled/are being fulfilled. Describe previous grants or awards for the project from any source.
- 6) **Safety Action Plan.** Delineate potential unsafe conditions and note preliminary processes and procedures to respond to each.

## CHAPTER 2 Appendices: Attachment Checklist

**Include:** Applicant shall respond to all requests for attachments in adequate detail as shown below, which correspond with the sections and will be inputs for the Selection Criteria.

**Format for Submittal:** Times New Roman font size 11, and single-spaced. Label all supplemental attachments according to their numbering below. If providing additional supporting documentation, add rows to the table and commence numbering and make it clear which Application section it applies to.

	Attachment	Section	Description
<input type="checkbox"/>	1	2.1.1c	As Attachment 1, include a schematic diagram showing total solids flows into and lost from the manure treatment system.
<input type="checkbox"/>	2	2.1.4	<p>Provide a map (as included in your Project Scoping and Cost Estimation Request) that provides a project overview including:</p> <ol style="list-style-type: none"> <li>1. The dairies where the developer has an agreement for the feedstock</li> <li>2. The dairies where the developer does not have an agreement for the feedstock but could be added at a future time</li> <li>3. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas upgrading facility</li> <li>4. Location of the central biogas upgrading facility</li> <li>5. Location of the utility point of receipt</li> <li>6. Location of the utility pipeline extension</li> <li>7. Identify publi right-of-way and private right-of-way for each component</li> <li>8. The location of the dairy digesters: existing, under development, and planned</li> </ol>
<input type="checkbox"/>	3	2.2.1c	<p>Provide project design documents, including schematics, figures, graphics and plans, must be submitted as part of the Application. Project designs must be approved by a licensed professional engineer. Details such as digester volume, solids and hydraulic retention times and mass balance through the digester must be included. Mass balance must be illustrated in an annotated diagram with the following components clearly indicated:</p> <ol style="list-style-type: none"> <li>1. Manure input rate (mass or gallons with estimated total solids)</li> <li>2. Digestate outflow rate (mass or volume with estimated total solids)</li> <li>3. Expected bio-gas flow with methane content estimate</li> </ol>
<input type="checkbox"/>	4	2.2.2f	Provide a diagram showing the expected pressure at various points in the biogas collection lines. Provide the type(s) of materials used to create the biogas collection lines.
<input type="checkbox"/>	5	2.2.3c	<p>Provide process flow diagrams for the central biogas conditioning and upgrading facility, include expected pressure of the biogas entering the central biogas conditioning and upgrading facility. Describe the design parameters for the biogas upgrading facility:</p> <ol style="list-style-type: none"> <li>1. Flow capacity</li> <li>2. Gas composition of feed gas</li> <li>3. Gas composition of product gas</li> <li>4. Heat and Material Balance</li> <li>5. Preliminary calculations</li> <li>6. Equipment data sheets</li> <li>7. Utility requirements</li> <li>8. Chemicals used (provide Safety Data Sheets)</li> </ol>
<input type="checkbox"/>	6	2.5.2	If a Pilot Project is being submitted by a project developer, a contractual agreement documenting project support from the dairy producer(s) must be included. Letters of commitment from team members demonstrating understanding of their participation and specific role(s) in the Pilot Project must also be included.

<input type="checkbox"/>	7	3.1.2	Provide balance sheet and cash flow statements for the past three (3) year for Applicant's firm and any other partners that have a substantial stake in the Pilot Projects, if available. Documents must be audited and certified by a Certified Public Accountant (CPA). If audited financial statements are not available by submission date, then financial statements certified by a CPA are acceptable.
<input type="checkbox"/>	8	3.1.3	Provide five-year pro forma financial statements for Applicant's firm and any other partners that have a substantial stake in Pilot Project, including projected balance sheet, income statement, cash flow statement, and debt service schedule for existing and planned long-term debt, if any. List assumptions, including but not limited to, market supply and demand conditions of the industry, market fluctuations, and monthly or quarterly fixed costs and variable costs.
<input type="checkbox"/>	9	3.1.4	Provide the Project Scoping and Cost Estimation. Applicant's estimated costs should include the following: Pipeline Infrastructure (include all Applicant and Utility owned infrastructure costs, biogas treatment facilities and collection lines and compression, point of receipt, pipeline lateral and Utility-owned compression pipeline extension, etc.), equipment (e.g., valves, meters, and protection devices), digester, conditioning facility, design, engineering, and installation costs. Within each job activity, cost should be broken down by labor, operation and maintenance, and each installed piece of equipment. At least two references to actual historical or current competitive cost data for similar work must be included to justify the cost for biogas collection line, conditioning equipment to remove hydrogen sulfide and water from the raw biogas, pipeline lateral, point of receipt, and pipeline extension. CPUC has the discretion to modify the cost estimation. An Applicant pursuing a phased approach to its project should include anticipated costs of all phases of the Pilot Project. The phased-approached cluster Pilot Project must include a signed lease and a feedstock agreement, not just a letter of interest or future addition. Include all Utility supporting documentation, reports, studies, etc. used to calculate Utility owned infrastructure costs.
<input type="checkbox"/>	10	3.1.12	Provide the Applicant's proposed schedule. The schedule should include the tasks identified in Attachment 9, the Project Scoping and Cost Estimation. CPUC has the discretion to modify the project schedule. An Applicant pursuing a phased approach to its project should include anticipated schedule of all phases of the Pilot Project. Include the permitting schedule (as described in section 7.1).
<input type="checkbox"/>	11	5.1.1	Provide supporting documents to support written explanation: Describe the Pilot Project's impact on NOx, other criteria pollutants, toxic air contaminants and hazardous air pollutants. Include all potential emission sources and how emissions would change before and after implementation of project.
<input type="checkbox"/>	12	5.3.2	Provide documents that support vehicle fuel sold to and utilized by freight transport vehicles along the State's major freight and transportation corridors (e.g., Interstate 5, State Route 99) or other locations.
<input type="checkbox"/>	13	5.3.3	Provide documents that verify any partnership with local delivery fleets (e.g. milk hauling, feed delivery) to convert diesel freight vehicles to natural gas vehicles and supply them with renewable compressed natural gas from a pilot injection project. These conversions will reduce NOx and diesel particulate matter of existing fleets.
<input type="checkbox"/>	14	5.3.4	Provide documents that verify contracts for the use of pipeline-injected renewable natural gas in electricity generation.
<input type="checkbox"/>	15	6.1.7	Provide support letters from community members and/or leaders demonstrating that outreach was conducted (at least 3).
<input type="checkbox"/>	16	7.0.2	Describe the proposed Pilot Project site and provide documentation and/or descriptions of site and equipment control. This includes any site control required for the Utility-owned Pipeline Infrastructure.
<input type="checkbox"/>	17	Specify section	[Provide description of attachment]

## EXHIBIT 2

### CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is made and entered into effective as of **March 17, 2018** ("Effective Date"), by and between **California Bioenergy LLC** located at **324 S. Santa Fe, Suite B, Visalia, CA 93292** ("Company"), and the **Southern California Gas Company**, a California corporation, located at **555 W. Fifth Street, Los Angeles, CA 90013-1011** ("SCG").

In consideration of the mutual covenants herein, and the disclosures to be made in connection herewith, the parties agree as follows:

1. Company is considering engaging in developing multiple **biomethane pilot projects in connection with California Senate Bill ("SB") 1383, as further delineated in Schedule A**, that would connect with SCG's gas pipeline system ("Projects") in California and wishes to discuss with SCG certain aspects of the Projects and the possible future relationship of the parties concerning the Projects (the "subject matter"). Because of the competitive nature of the Projects and the subject matter, which may be discussed by the parties concerning the Projects, the parties agree to keep all subject matter identified in writing as "Proprietary Information" confidential. "Proprietary Information" shall mean any data, information, trade secrets or "know-how" that is proprietary to a Party, and not known to the Party receiving it or the general public as of the date hereof, which is disclosed in the course of dealings between the Parties in connection with this Agreement, in oral and/or written form. For the purposes of this Agreement, the party receiving Proprietary Information from a party in connection herewith is the "Receiving Party," and the party providing Proprietary Information to the other party hereunder is the "Disclosing Party". Any information designated by a party as Proprietary Information, if in tangible form, will be marked clearly as "Proprietary Information"; or if communicated orally, it must be identified in writing as "Proprietary Information" in reasonable detail within five (5) business days after disclosure. This Agreement does not require either Party to disclose any particular "Proprietary Information," or to disclose it in any particular form or format. No representation is made that any Proprietary Information disclosed is free from error, or suitable for any use or purpose. Company understands that as a California public utility company SCG is obligated to provide service in a non-discriminatory manner and this Agreement in no way prevents, restricts or limits SCG's discussions or relationships with other companies considering **interconnection** projects other than not disclosing the Proprietary Information of Company.
2. Except as otherwise provided in this Agreement, no part of the Proprietary Information may be disclosed or delivered to third parties or used by the Receiving Party for any purpose other than for the purpose stated in Paragraph 1 above, without the prior written consent of the Disclosing Party, which may be refused. Except as authorized in writing by the Disclosing Party, the Receiving Party shall not copy, disclose, or use the Disclosing Party's Proprietary Information or any part thereof and shall return to the Disclosing Party or destroy, upon the Disclosing Party's request, all Proprietary Information provided by the Disclosing Party in tangible form, and all copies, photographs, reproductions, and all other duplications thereof, including any summaries, extracts and other information derived from the Proprietary Information, regardless of the form of media.

3. The Receiving Party shall take all reasonable measures to prevent unauthorized disclosure of the Proprietary Information and shall restrict access to the Proprietary Information to those employees, or employees of Affiliates, who have a need to know in the course of their duties. If the Receiving Party finds it necessary for the purpose set forth in Paragraph 1 above to disclose to a subcontractor or agent any Proprietary Information, such subcontractor or agent shall first agree in writing to comply with the provisions of this Agreement. For purposes of this Agreement, "Affiliate" shall mean any company or legal entity which (a) controls either directly or indirectly a Party, or (b) which is controlled directly or indirectly by such party, or (c) is directly or indirectly controlled by a company or entity which directly or indirectly controls such party. Control means the right to exercise fifty percent (50%) or more of the voting rights in the appointment of the directors or similar representatives of such company or entity.
4. Notwithstanding any of the other provisions herein, SCG will not disclose any Proprietary Information disclosed pursuant to this Agreement to any of its Affiliates not regulated by the CPUC without the prior written consent of Company.
5. All Proprietary Information disclosed hereunder shall be and remain the exclusive property of the Disclosing Party. This Agreement shall not be construed to grant to the Receiving Party any license or other rights to the Proprietary Information except as specifically noted herein.
6. The obligations set forth in this Agreement shall not apply to information that the Receiving Party can establish is:
  - a. Information, which is in the public domain as of the date of this Agreement or which later, enters the public domain from a source other than the Receiving Party.
  - b. Information which the Receiving Party has written evidence of knowing prior to the execution of this Agreement.
  - c. Information which the Receiving Party receives from a bona fide third party source not under any obligation of confidentiality.
  - d. Information approved for release by the Disclosing Party in writing.
  - e. Information, which is required by law (e.g., court order or governmental agency subpoena) to be disclosed. If either Party or any of its Representatives is required by applicable law, regulation or legal process (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Proprietary Information provided to it under this Agreement, such Party or its Representative will promptly notify the other Party of such requirement so that it may seek an appropriate protective order or elect, in its sole discretion, to grant a waiver of compliance with the provisions of this Agreement. If, in the absence of a protective order or the receipt of a waiver hereunder within a reasonable time after such notice, a Party or any of its Representatives is, in the reasonable opinion of such Party, compelled to disclose any Proprietary Information, then the disclosing Party may disclose only such of the Proprietary Information to the person

compelling disclosure as is required by law. The Party being forced to disclose any Proprietary Information will provide all commercially reasonable assistance to enable the other Party to obtain a protective order or other reliable assurance that the Proprietary Information will be accorded confidential treatment.

7. Notwithstanding anything to the contrary set forth herein:
  - a. Either Party may disclose to any governmental entity (including a court) or its representatives or other persons as required by such entity, the tax treatment and tax structure of any transaction arising at any time in connection with this Agreement or related hereto, as well as all materials provided to either Party of any kind (including opinions or other tax analyses) relating to the tax treatment or tax structure of such transaction.
  - b. SCG may provide Company's Proprietary Information to the California Public Utilities Commission ("CPUC") pursuant to Public Utilities Code Section 583, regardless whether the Company Confidential Information is formally requested and without notice to Company.
  - c. Company may provide SCG's Proprietary Information to the CPUC solely in connection with Company's submission to the CPUC of Company's application in response to the 2018 Solicitation for SB 1383 Dairy Pilot Projects, *provided* that, concurrently with such submission, Company shall satisfy the CPUC's administrative processes for submission of confidential information, as set forth in CPUC General Order No. 66-D.
8. If the Receiving Party breaches or defaults in the performance of any of its covenants contained herein or violates any of the restrictions set forth herein, the Disclosing Party shall be entitled to all remedies available at law or in equity. The parties acknowledge that the Proprietary Information is valuable and unique, and that damages would be an inadequate remedy for breach of this Agreement and the obligations of each party and its Representatives are specifically enforceable. Accordingly, the parties agree that in the event of a breach or threatened breach of this Agreement by either party, the disclosing party shall be entitled to seek an injunction preventing such breach, without the necessity of proving damages or posting any bond. Any such relief shall be in addition to, and not in lieu of, money damages or any other available legal or equitable remedy.
9. If either party employs attorneys (in-house and/or outside counsel) to enforce any rights arising out of or related to this Agreement, the prevailing party in such matter (as determined by the court) shall be entitled to receive its reasonable attorneys' fees, costs and disbursements.
10. This Agreement shall begin on the Effective Date and continue for period of two (2) years from the date of the last disclosure of Proprietary Information in connection herewith.
11. Neither this Agreement, nor the disclosure of Proprietary Information under this Agreement, nor the ongoing discussions and correspondence by the parties regarding the subject matter of this Agreement, shall constitute or imply any

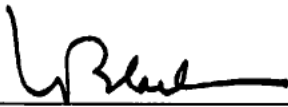
promise or intention to make any purchase or use of the services, products, facilities, real property or other assets of either party, or any commitment by either party with respect to any other present or future arrangement. If, in the future, the parties elect to enter into binding commitments relating to any of the matters stated herein, they must be stated in a separate executed written contract by the parties.

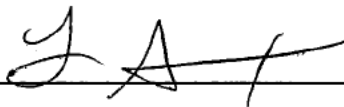
12. This Agreement shall be governed by and construed under the laws of the California, without reference to any principles on conflicts of laws. Any dispute between the parties arising under this Agreement shall be litigated solely in the state or federal courts located in the County of Los Angeles, State of California.
13. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior discussions, communications and agreements, both oral and written. This Agreement shall not be amended or modified except by an agreement or amendment in writing signed by both parties, and shall not be modified by course of performance, course of dealing, or usage of trade. No waiver of any right under this Agreement shall be deemed a subsequent waiver of the same right or any other right. To be effective, any waiver of the provisions hereof shall be in writing.

The authorized signatories of the parties have executed this Confidentiality Agreement as of the Effective Date.

**California Bioenergy LLC.**

**SOUTHERN CALIFORNIA GAS COMPANY**

By:   
Name: Neil Black  
Title: President  
Date: 4-27-18 as of 3-17-18

By:   
Name: Lisa Alexander  
Title: VP - Cust Sol, Comm & Env Sty  
Date: 4/30/18





**CalBioGas South Tulare LLC**

Attachment A: California Producer Interconnection Agreement for SB 1383 (Form 6454)

CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT for SB 1383  
DAIRY PILOT PROJECT  
between  
CalBioGas South Tulare LLC  
and  
SOUTHERN CALIFORNIA GAS COMPANY

This CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into by and between CalBioGas South Tulare LLC, a California Limited Liability Company, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this 26<sup>th</sup> day of February 2019. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

**RECITALS**

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1(c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Interconnector has constructed or intends to construct and will operate its pipeline facilities to an Interconnection Point specified in Exhibits A and B attached hereto and incorporated herein by this reference (hereinafter referred to as “Interconnection Point”); and

WHEREAS, SoCalGas may construct facilities at the Interconnection Point subject to and conditioned upon the execution of a California Producer Interconnect Collectible System Upgrade Agreement with Interconnector concerning such facilities, terms of construction and cost responsibility for such facilities consistent with CPUC rules and regulations and attached as Exhibit C; and

WHEREAS, Senate Bill (“SB”) 1383 requires the CPUC, in consultation with the California Air Resources Board (“ARB”) and the California Department of Food and Agriculture (“CDFA”) (collectively, the “Selection Committee”), to direct utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys including the South Tulare – California Bioenergy project herein; and

WHEREAS, the Parties desire to provide such facilities for the delivery to and receipt of natural gas by the SoCalGas system as set forth in this Agreement.

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

Confidential and Protected  
Materials Pursuant to PUC  
Section 583, GO 66-D, and  
D.17-09-023

**SECTION 1**  
**SCOPE OF AGREEMENT**

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to provide facilities for the Interconnect Capacity from Interconnector’s pipeline facilities near [REDACTED] to SoCalGas’ existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector’s Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to this Agreement and a California Producer Operational Balancing Agreement (“CPOBA”) between the Parties, for the account of Interconnector or Interconnector’s affiliate or third parties for transport on SoCalGas’ pipeline system in California. This Agreement does not provide for or address in any way any right of Interconnector to receive transportation services on SoCalGas’ system from the Interconnection Point. Attached hereto as Exhibit A, and incorporated by reference herein, is a map on which the Interconnector’s Facilities are indicated generally. The Interconnection Point and SoCalGas’ Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B and incorporated by reference herein.

(b) Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in CPOBA, is effective as of the date first written above and shall remain in effect for a primary term of twenty (20) years from the date Gas first flows through the Interconnection Point (the “Commencement Date”) and year to year thereafter.

(i) Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement including all costs for removal of SoCalGas’ Facilities at the Interconnection Point and restoration of the site to its condition prior to the construction of the Interconnection Point.

(ii) SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector or in the event of a material default by Interconnector upon sixty (60) calendar days following Interconnector’s receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

(iii) SoCalGas may terminate this Agreement on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete Interconnector’s Facilities or SoCalGas’ Facilities is not completed on or before [REDACTED]. Interconnector may terminate this Agreement with respect to only the Incremental Capacity on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete

Interconnector's Facilities for Incremental Capacity is not completed on or before [REDACTED]

(c) Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

(i) "SoCalGas' Facilities" shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, including Btu district additions and enhancements, Biomethane Compression facilities, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the State of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) "CPUC" shall mean the Public Utilities Commission of the State of California.

(iii) "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas' tariffs, rules and other applicable regulations.

(iv) "In-Service Date" is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) "Interconnect Capacity" shall be the Biomethane Compression, metering and odorization daily capacity of SoCalGas' Facilities but is not necessarily the capacity of SoCalGas' pipeline facilities to transport Gas away from the Interconnection Point and is not, nor is it intended to be, any commitment by SoCalGas of takeaway capacity. The Interconnect Capacity shall be a minimum and maximum of [REDACTED] thousand Standard cubic feet per day (MScfD), respectively, unless changed by the written mutual agreement of the parties<sup>1</sup>. The Interconnect Capacity is the sum of Pilot Project Maximum Capacity and any Incremental Capacity volumes.

(vi) "Interconnection Point" shall mean that point where SoCalGas' Facilities and Interconnector's Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

<sup>1</sup> SoCalGas' Facilities, except for the Compression Facility, have been designed for a maximum flow rate of [REDACTED] MScfD. CalBioGas South Tulare LLC anticipates increasing the maximum flow rates, if it signs up new dairies, to [REDACTED] MScfD by adding a compressor and will execute and fund the CPICSUA to accomplish this.

(vii) “Interconnector’s Facilities” shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by an Interconnector up to the Interconnection Point.

(viii) “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate CPOBAs or another separate agreement governing access to SoCalGas' system.

(ix) “Decision” shall refer to CPUC Decision 17-12-004.

(x) “Pilot Project” shall mean the Selection Committee South Tulare – California Bioenergy project awarded through the SB 1383 Dairy Pilot Project proceeding R. 17-06-015.

(xi) “Pilot Project Capacity” shall be the average of one-thousand six hundred two (1,602) MScfD biomethane capacity to be delivered to the utility for pipeline injection as specified in the Selection Committee South Tulare – California Bioenergy project awarded through the SB 1383 Dairy Pilot Project proceeding R. 17-06-015.

(xii) “Pilot Project Maximum Capacity” shall be the maximum flow rate of [REDACTED] MScfD biomethane capacity

(xiii) “Incremental Capacity” shall be [REDACTED] MScfD that is in addition to the Pilot Project Maximum Capacity and is based on dairies, collection lines and digesters that aren’t part of the Pilot Project Capacity.

(xiv) “Incremental Capacity Cost” shall be the expenditures/investments related to the initial (Exhibit C, CPICSUA) interconnection of Interconnector’s Facilities to SoCalGas’ Facilities and subsequent Subsection 3 (b) Maintenance of Physical Facilities that are above and beyond those costs that would be incurred for the Pilot Project Maximum Capacity. SoCalGas shall determine the estimated and actual Incremental Capacity Cost generally on the principle that the Incremental Capacity would not increase costs and expenses unless larger size materials, than those required for the Pilot Project Maximum Capacity, are required to accommodate the Incremental Capacity. If larger materials are required, the Incremental Capacity Cost would increase material costs but not construction costs. The estimated Incremental Capacity Cost will be based on the difference between the estimated cost for the Pilot Project Maximum Capacity and the Interconnect Capacity. The actual Incremental Capacity cost will be calculated based on the actual costs of equipment and materials relative to the estimated costs and allocated on a proportional basis. For example, if the estimated Pilot Project Maximum Capacity and Interconnect Capacity material costs are \$80.00 and \$100.00, respectively, the estimated Incremental Capacity Cost is \$20.00 ( $\$100.00 - \$80.00 = \$20.00$ ). If the actual material costs are \$110.00, then the actual Pilot Project Maximum Capacity and Incremental Capacity costs are \$88.00 ( $\$110.00 * 80/(80+20)$ ) and \$22.00 ( $\$110.00 * 20/(80+20)$ ), respectively. Incremental Capacity operation and maintenance fees will be determined per Subsection 3(a) herein.

(xv) “Pilot Project Term” shall be the primary term stated in Subsection 1 (b) herein.

(xvi) “Biomethane Compression” shall be the compression facilities at the outlet of Interconnector’s biogas conditioning facilities used to compress biomethane including units, valves, basic and advanced controls, for multiple modes of operation, etc.

(d) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector’s Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas’ sole opinion could reasonably raise a question regarding SoCalGas’ retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

## **SECTION 2** **CONDITIONS PRECEDENT**

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Governmental Authorizations:

(i) Interconnector: - On or before [REDACTED] Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction, if any, and [REDACTED] for operation of Interconnector’s Facilities.

(ii) SoCalGas: On or before commencement of flows through the Interconnection Point, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) the proper approvals required for SoCalGas to dispense its duties under this Agreement from any other governmental or local agency, if necessary in SoCalGas’ sole judgment.

(c) Interconnector Project Readiness – Prior to SoCalGas incurring significant costs by the procurement of materials and constructing SoCalGas’ Facilities, Interconnector must demonstrate project readiness by providing proper documentation to show compliance with each of the requirements set forth in Exhibit D.

(d) Notification - Each Party shall notify the other in writing whenever in its sole opinion the foregoing conditions in Subsection 2(b) have been satisfied. Interconnector shall retain

the right to waive in writing conditions 2(b)(ii), and SoCalGas shall retain the right to waive in writing conditions 2(b)(i).

(e) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such forty-fifth (45th) day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(f) Cooperation - Each Party shall cooperate with the other Party as is reasonable under the circumstances, and keep the other Party advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

### **SECTION 3**

#### **OPERATION AND MAINTENANCE FEES**

(a) Fees – Interconnector shall pay, except for the Pilot Project Capacity during the Pilot Project Term, to SoCalGas each month an Operation and Maintenance Fee (“O&M Fee”), as determined from time to time by SoCalGas, associated with the operation and maintenance of the Biomethane Compression, metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas’ normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS, except for the Biomethane Compression costs.

(i) During the Pilot Project Term SoCalGas shall record and allocate the Pilot Project Capacity O&M Fee pursuant to the Decision.<sup>2</sup>

(ii) Incremental Capacity Costs - SoCalGas shall bill the Interconnector for the variable or usage costs that exceed the costs SoCalGas would not incur because of the Pilot Project Capacity. Typically, this would include odorant and Biomethane Compression variable costs.

1) Odorant Variable Costs – SoCalGas shall bill the Interconnector for the marginal usage or variable costs as follows: once the cumulative, actual delivery volume exceeds the Pilot Project Capacity 584,730 MScf annual volume on a calendar year basis (1,602 MScfD times 365), in the month following, and for all succeeding months in the calendar year, all costs shall be billed to the Interconnector. This calculation will restart each January 1.

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<sup>2</sup> (D.)17-12-004, Appendix A, page 11, paragraph 1.



2) Biomethane Compression Variable Costs – SoCalGas shall bill the Interconnector for the marginal usage or variable costs as follows: once the cumulative, actual delivery volume exceeds the Pilot Project Capacity 584,730 MScf annual volume on a calendar year basis (1,602 MScfD times 365), in the month following, and for all succeeding months in the calendar year, all costs shall be billed to the Interconnector. This calculation will restart each January 1

(iii) Biomethane Compression Costs – SoCalGas will track and record the costs to compress the renewable natural gas. The two cost components to operate compression equipment include: 1) electrical charges from the local electric utility, and 2) on-going equipment maintenance (e.g. - periodic inspections, drain and replace fluids, remove and replace filters, mechanical adjustments, periodic rebuilds, recordkeeping, etc.). SoCalGas shall bill the Interconnector for the Biomethane Compression costs except for the Pilot Project Capacity during the Pilot Project Term. During the Pilot Project Term, Incremental Capacity Biomethane Compression costs shall be billed per Subsection 3 (a) (ii) 2.

(iv) Electrical Service and Electricity Costs – Interconnector shall work with the electric utility to plan, coordinate and install an electrical drop to provide electrical service to SoCalGas' Facilities. Such work will be managed and funded by the Interconnector. Interconnector will be the customer of record for a dedicated meter providing electrical service to SoCalGas' Facilities. Interconnector will provide all associated transformers, switchgears, and other electrical equipment necessary to provide SoCalGas with the necessary electricity to receive all biomethane from the Interconnector's Facilities. SoCalGas will be responsible for all electrical installation within SoCalGas' Facilities.

(v) After the Pilot Project Term - Interconnector shall pay to SoCalGas each month an O&M Fee, as determined from time to time by SoCalGas, associated with the operation and maintenance of the Biomethane Compression, metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas' normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS, except for the Biomethane Compression costs which will be separately billed based on actual costs, unless and until Schedule No. G-CPS includes these costs.

(b) Maintenance of Physical Facilities – At the Interconnection Point where SoCalGas owns and operates the Biomethane Compression, metering equipment and other related facilities, SoCalGas (i) shall have the right to replace or upgrade from time to time such equipment as is necessary to measure, regulate, odorize, monitor, control or otherwise effectuate deliveries of Gas volumes up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment necessary to transmit electronic measurement data on a current basis; (ii) shall install, at Interconnector's sole cost and expense and after giving notice to Interconnector, except during the Pilot Project Term, such additional equipment either new or upgraded from time to time, as it deems necessary in its sole judgment to have the capability to receive at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment to receive electronic measurement data and equipment to odorize the Gas received at the Interconnection Point. The Interconnector shall have the right to review and

to propose reasonable changes to any SoCalGas proposal or request to upgrade, replace, or enhance existing equipment so long as the Interconnector's proposed changes meet industry and SoCalGas' standards and applicable codes and do not delay implementation nor jeopardize timely safety and code compliance. SoCalGas is, however, under no obligation, expressed or implied, to accept such proposed changes. Disputes will be brought before the CPUC's Energy Division, which will resolve the issue in consultation with the CPUC's Consumer Protection and Safety Division.

(i) During the Pilot Project Term:

1) Pilot Project Capacity cost and expense shall be funded pursuant to the Decision and Incremental Capacity Cost differentiated from Pilot Capacity Cost as provided herein.

2) Incremental Capacity – Interconnector shall fund Incremental Capacity costs as provided herein.

(ii) Outside of the Pilot Project Term - all costs, Project and Incremental Capacity, shall be at Interconnector's sole cost and expense per Subsection 3(b) herein.

(c) Statements - Statements and/or invoices shall be sent to Interconnector as set forth in Rate Schedule No. G-CPS plus Biomethane Compression costs as set forth herein, except for the Pilot Project Capacity costs during the Pilot Project Term.

#### **SECTION 4** **GAS DELIVERIES**

(a) Quality

(i) Right of Refusal: SoCalGas shall have the continuing right at any time in its sole discretion to monitor the quality of Gas tendered by Interconnector and, subject to the limitations stated in D.07-08-029 and D.10-09-001, to refuse to accept delivery of any Gas that does not meet SoCalGas' Gas quality specifications, including its then current Tariff Rule 30 Gas quality specifications or other applicable regulation or Tariff Rule specifying Gas quality requirements or CPUC-approved specific deviation for the Interconnector. SoCalGas shall provide notice to Interconnector as soon as commercially practicable after any decision is made not to accept deliveries.

(ii) Gas Quality Monitoring and Enforcement: SoCalGas shall install, operate and maintain Facilities at Interconnector's sole cost and expense, including necessary meters and equipment, identified in Exhibit A of Schedule No. G-CPS plus the Biomethane Compression facilities, for the purpose of compressing, measuring the volume and quality of all Gas delivered to SoCalGas, except during the Pilot Project Term.

1) Pilot Project Term - During the Pilot Project Term, Pilot Project Capacity cost and expense shall be funded pursuant to the Decision as set forth herein.

2) Incremental Capacity – If Interconnector elects and SoCalGas agrees to install Incremental Capacity, Interconnector shall provide measurement data to differentiate Incremental Capacity and Pilot Project Capacity biogas contributions for the purposes of determining each capacity’s individual compliance with the Pilot Project Capacity and any applicable SoCalGas Rule 39 monetary incentive biomethane flow requirements. The measurement shall be designed, installed and maintained pursuant to good industry practice.

Unless another methodology is otherwise agreed to by SoCalGas, in its sole discretion, Interconnector shall provide SoCalGas with the Pilot Project Capacity total and Incremental Capacity total biogas hourly measurements, typical methane mole percent composition and the typical percent methane processing or bio-conditioning efficiency. For example, with a Pilot Project Capacity and Incremental Capacity biogas volumes of 80 and 20 MScfH, each containing 60% methane mole percent and a 99% processing efficiency, the Pilot Project Capacity and Incremental Capacity biomethane content would be 47.5 and 11.9 MScfH ( $80 * 60\% * 99\% = 47.5$  MScfH Pilot Project Capacity and  $20 * 60\% * 99\% = 11.9$  MScfH, respectively).

(iii) Change in Specifications: Nothing in this Agreement shall be deemed to prohibit Interconnector from challenging or seeking to modify any Gas quality specifications. If both Parties mutually agree to a deviation from the Gas quality tariff specifications or requirements for purposes of this Agreement, SoCalGas shall seek and obtain CPUC approval of such deviation by Advice Letter prior to incorporating and implementing such deviation as part of this Agreement.

(b) Uniform Flow - Interconnector shall to the extent feasible make deliveries of Gas at each of the Interconnection Point(s) at substantially uniform rates of flow during a particular flow day. If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service, if in the Utility’s opinion receipt of such gas would jeopardize other operations, until such time appropriate actions have been taken to ensure compliance with this provision.

(c) Pressure - Interconnector shall deliver Gas to SoCalGas at the Interconnection Point at a delivery pressure sufficient to enter the SoCalGas system, but not more than the then current Maximum Allowable Operating Pressure (“MAOP”) of SoCalGas’ Facilities. SoCalGas shall provide the Interconnector with as much advance notice as is reasonably possible, but not less than ninety (90) calendar days’ notice for an increase in Interconnector’s maximum delivery pressure requirement and shall provide as much advance notice as is reasonably possible, but not less than forty-five (45) calendar days’ notice for a decrease in minimum delivery pressure requirement. Changes in Interconnector’s delivery pressure requirements resulting from force majeure events, emergency situations, or as a result of pipeline integrity inspections shall be exempt from these notification requirements. In the event the Interconnector cannot comply with the changes to maximum or minimum delivery pressure requirements within the above notice periods, the Interconnector shall inform SoCalGas of the reason for the delay ahead of time. If the reason for the delay in complying with the change in maximum or minimum delivery pressure requirement is reasonable, SoCalGas may, in its sole discretion, extend the date for complying with such change in delivery pressure requirements. If the reason for the delay is unreasonable, SoCalGas may

proceed with the pressure change. Any dispute concerning SoCalGas' action concerning the notice period may be brought to the CPUC's attention pursuant to this Agreement.

(d) Metering – SoCalGas shall install equipment necessary to measure deliveries from Interconnector at the Interconnect Point. Interconnector may install or cause to be installed and operate check meters at its sole option and expense to check SoCalGas' meters, but measurement of Gas for all purposes of and at all times under this Agreement shall be by SoCalGas' meters. Any such check meters and equipment shall be installed so as not to interfere with the operation of the meters, measuring and any other equipment now existing or later installed by SoCalGas.

(e) Meter Maintenance – SoCalGas will perform scheduled meter accuracy testing and calibration of its metering facilities pursuant to SoCalGas' standard practices, procedures and methods associated with the installed measurement equipment. The meter maintenance, testing and correction shall comply with the American Gas Association (AGA) Report 4A, Sample Contract Measurement Clause, Meter Facilities and applicable CPUC requirements. SoCalGas will also inspect/calibrate Gas meters to ensure conformance with manufacturer's stated accuracy in a field application, where such conformance does not conflict with applicable local code ordinances or regulatory requirements. SoCalGas shall preserve the meter maintenance records for a period of at least three years. Interconnector or its duly authorized representative(s) shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with SoCalGas' measuring equipment used in measuring deliveries from Interconnector to SoCalGas. SoCalGas shall give written, fax, or electronic mail notice to Interconnector prior to calibrating and testing. Except in the event of an emergency or operational necessity, such notice shall be given to Interconnector at least three (3) business days prior to any such activity. The records from such measuring equipment shall remain the property of SoCalGas, but upon request SoCalGas shall make available to Interconnector (and its representatives) copies of any such records and charts, together with calculations therefrom, for inspection and verification during normal business hours. SoCalGas will perform unscheduled and episodic tests of its measuring equipment upon Interconnector's request, where such tests can be operationally executed, to verify metering integrity/accuracy. SoCalGas will perform such testing in a reasonable timeframe. If, as a result of any testing, it is determined that there has been a combined (meter and transmitters) error in measurement greater than one percent (1%) from National Institute of Standards and Technology (NIST) traceable secondary field standard(s), the Parties will adjust all prior periods back to the period where it can be mutually determined and agreed upon that the errors commenced. If such an agreement cannot be reached, then SoCalGas shall estimate the Gas deliveries and correct the reading to a zero (0) error for the period during which the meter was in use. In all cases of meter error, period adjustments for meter error may not exceed three years prior to the date on which the discovering party provides notice to the other party. When a Gas meter is calibrated/inspected, SoCalGas shall confirm, where applicable, that the meter accuracy/condition is within the meter manufacturer's specifications for a field application and meets CPUC accuracy verification requirements. SoCalGas shall conduct such calibration and confirmation by using its NIST-traceable equipment, also known as its secondary field standards. If any Interconnector's request for special calibration shows that the combined measurement error does not exceed one percent (1%), then the cost of such requested special calibration shall be borne by Interconnector. In the event that any test of

the metering equipment yields a combined measurement error greater than one percent (1%), then the cost of such requested special test and subsequent calibration shall be borne by SoCalGas.

(f) Measurement Accuracy - The accuracy of all measuring equipment shall be verified and/or calibrated by SoCalGas according to SoCalGas' recommended equipment maintenance schedules and using NIST traceable secondary standard equipment and transfer proving devices. Where meter manufacturer's accuracy specifications and methods meet or exceed SoCalGas procedures and CPUC requirements for accuracy, SoCalGas will endeavor to provide calibration accuracy methodology and frequency conformance to such specifications. Electronic transmitters shall be calibrated if any verification/calibration point is found to be out of calibration in excess of plus or minus one-tenth of one percent ( $\pm 0.10\%$ ) of NIST traceable field calibration standards. Additionally, transmitters shall be calibrated if a bias occurs in a single direction (either positive or negative) for a consecutive period of three (3) months (transmitters shall be calibrated, to remove this bias, in the third (3<sup>rd</sup>) month of this period). All electronic transmitter verifications and calibrations shall meet or exceed the requirements defined in applicable API and AGA standards and publications. SoCalGas reserves the right to adopt and migrate to revisions of such standards in a manner which is logistically practical and economically cost-effective for its operations, and which affords Interconnector the same consideration. SoCalGas will provide Interconnector six (6) months notice where such changes may impact operations, equipment energy calculations and/or costs. Conversely, SoCalGas will not contemporaneously adopt the latest revision to such standards at Interconnector's request or as any statutory interpretation of this Agreement without careful consideration of the foregoing. Where migration to standards revisions requested by Interconnector results in incremental SoCalGas equipment, processes, data systems, employee training or other resource allocations, Interconnector shall provide SoCalGas funding for any and all migration and implementation costs. SoCalGas shall make available to Interconnector on as current basis as reasonably feasible any electronic measurement data if compatible with Interconnector's electronic files (not "hard copy") that SoCalGas obtains related to Gas delivered at the Interconnection Point. The Parties recognize the value of implementing utilization of electronic measurement devices (to the extent they are recognized in the Gas industry as dependable, accurate and cost effective) and shall jointly cooperate to implement the installation of such devices, and sharing the data therefrom, to provide as current measurement information to each other as reasonable under the circumstances; however, no particular electronic measurement device or method of sharing of electronic data therefrom (on a real time basis or otherwise) shall be required unless mutually agreed. Each Party shall be responsible for the cost, compatibility and operation of its own measurement-related electronic systems.

(g) Measurement Calculation - The Mcf and Btu values determined by SoCalGas shall be utilized for the calculation of deliveries of Gas to SoCalGas, subject to any subsequent adjustments as provided above. Calculation of metered Gas volumes shall be performed in accordance with the most recent version of the applicable AGA standards and SoCalGas' measurement and billing procedures. The determination of Gas components shall be completed utilizing a Gas chromatograph approved by the CPUC and SoCalGas that will be linked to the flow-measuring device (completing real-time volume and energy calculations).

(h) Odorant - In the event that Gas delivered by Interconnector at the Interconnection Point is required by SoCalGas to be odorized, the odorant shall be a commercially available

odorant blend agreed to by SoCalGas and the odorant concentration shall conform to DOT 192.625 and as otherwise required by SoCalGas. Interconnector shall provide SoCalGas a minimum of thirty (30) calendar days written notice prior to making any changes in the quality or quantity of odorant in the Gas stream.

(i) Suspension of Deliveries/Receipts –

(i) Either Party may suspend deliveries or receipts immediately, and at any time, in the event that:

1) there is any system or pipeline operations or other action or inaction, that could impair the safety or reliability of either Party's facilities or systems, or could impair the deliverability of the Gas to be delivered through the Interconnection Point, or would constitute a material default of this Agreement,

2) there is no CPOBA in effect governing the resolution of imbalances between the quantities of Gas confirmed and scheduled, and the quantities of Gas delivered, to the Interconnection Point, or

3) the CPUC, or any other administrative agency with jurisdiction over the subject matter hereof, materially changes, alters or modifies this Agreement, such that a Party is deprived of its benefits anticipated herein.

(ii) The Party suspending deliveries or receipts will provide notice to the other Party of such suspension and the cause, to the extent identifiable, as soon as commercially reasonable. In the event such suspension continues for a period of six (6) months without either resolution of the underlying situation, or a mutually agreed upon written plan of resolution, either Party may terminate this Agreement at any time thereafter upon providing an additional thirty (30) calendar days written notice.

## **SECTION 5** **ASSIGNMENT**

(a) Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(i) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(ii) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(iii) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

**SECTION 6**  
**NOTICES**

(a) Form of Notice - All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

**Interconnector:**

Mailing Address: CalBioGas South Tulare LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Email Address:

[REDACTED]

**SoCalGas:**

Mailing Address: Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
559-739-2307  
Attn: Ty Korenwinder

Email Address: [tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

**SECTION 7**  
**LIMITED WARRANTY**

(a) SoCalGas Services - SoCalGas warrants to Interconnector that any work performed by SoCalGas hereunder will meet or exceed all generally accepted industry standards for this type

of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work. Interconnector disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

## **SECTION 8** **INDEMNITY**

(a) Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

(b) Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

## **SECTION 9** **DISPUTE RESOLUTION**

(a) Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any



such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

## **SECTION 10** **MISCELLANEOUS**

(a) Choice of Law - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

(c) Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) herein.

(d) Entire Agreement - This Agreement, the California Producer Interconnect Collectible System Upgrade Agreement for SB 1383 Dairy Pilot Project, the SB 1383 Dairy Pilot Project Funding Agreement, the CPOBA and the Confidentiality Agreement (effective date March 17, 2018) between the Parties (the "Project Agreements") constitute the entire agreement between the Parties pertaining to the subject matter hereof, and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one of more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

(e) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(f) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity

or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

(g) Credit –

(i) Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

(ii) SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

(iii) In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

(iv) The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume creditworthiness on behalf of the Interconnector in accordance with the following provisions:

1) SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the "Guaranty") from the Guarantor.

2) The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector's creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 10(g)(v) is not received within fifteen (15) calendar days of SoCalGas' notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

(v) In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall

accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector's Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by the Natural Gas Intelligence ("NGI") (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

(h) No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

(i) Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

(j) Attorneys' Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

(k) Regulation - This contract shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction.

(l) Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2(a), 2(b), 2(c), and so on.

(m) Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 7, 8 and 10 shall survive.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their authorized representatives as of the day and year first written above.

CALBIOGAS SOUTH TULARE LLC

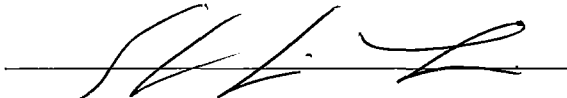


By: Neil Black

Title: President

Date: 02-28-19

SOUTHERN CALIFORNIA GAS COMPANY



By: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019

**EXHIBIT A: INTERCONNECTOR'S FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between  
 CalBioGas South Tulare LLC  
 and  
 Southern California Gas Company  
 Dated: February 26, 2019

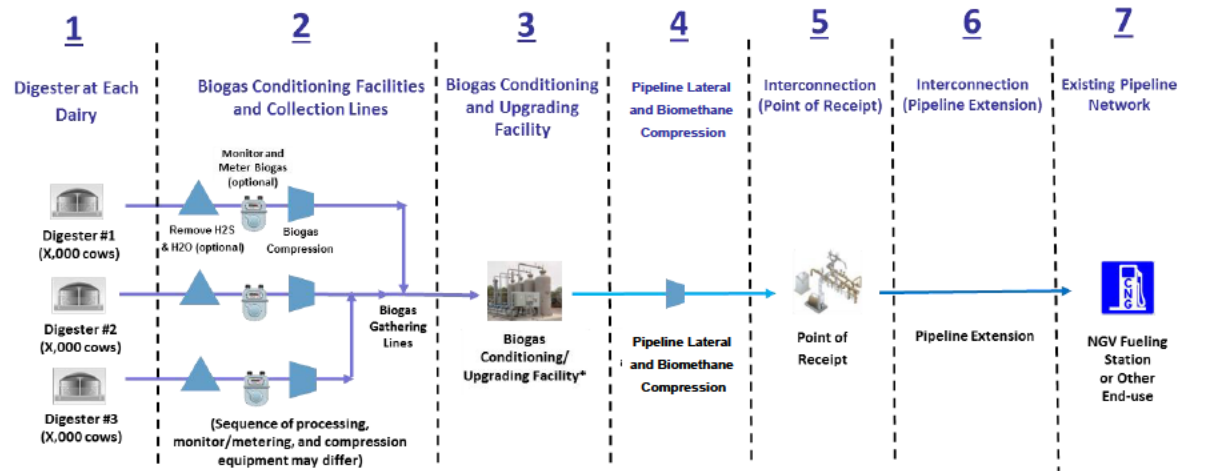
Interconnector's Facilities include the Gas pipeline facilities from the outlet of Interconnector's gas processing facilities located at or near [REDACTED] up to the Interconnection Point generally located on or near the property.

Interconnector shall ensure that all Interconnector Facilities are designed, installed, and tested per all applicable laws, regulations, codes and standards ("Applicable Laws") including, but not limited to the following:

- All applicable ASME piping standards
- All applicable State, County and City codes and standards
- All applicable US Federal and State of California, Occupational Safety and Health Administration (OSHA) Standards and Regulations
- As otherwise required in the Decision

Interconnector's upstream facilities shall be designed and operated in such a manner that they do not over pressure or otherwise exceed the maximum allowable operating pressure of SoCalGas' Facilities and meet the [REDACTED] psig minimum suction pressure of SoCalGas' Biomethane Compression.

Facilities upstream of Interconnector's Facilities include the collection pipelines and processing systems are generally described and depicted below in lanes or columns 1-3:

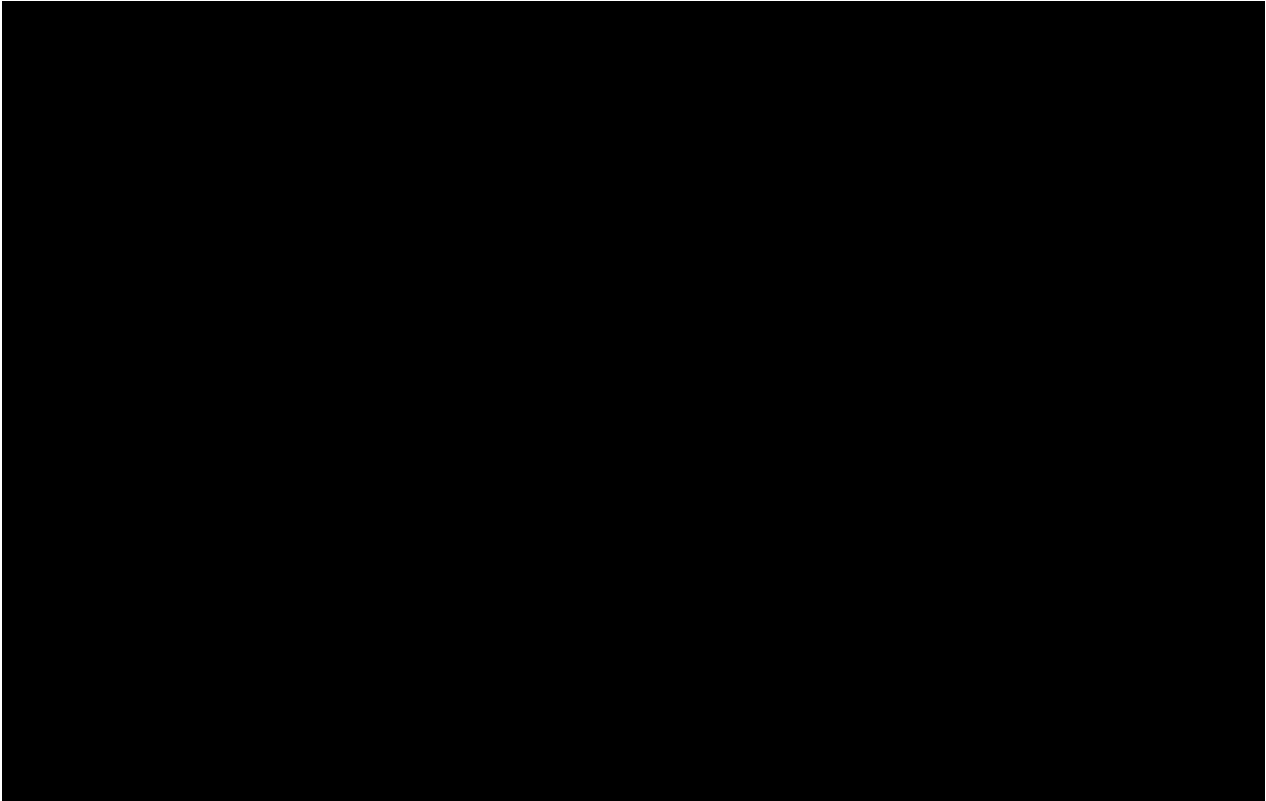


Covered lagoon digesters at various local dairies digest dairy manure to generate biogas that is pre-treated at each dairy to remove some gas constituents and transported to biogas cleanup equipment at Interconnectors centralized facility where the gas goes through further processing to meet SoCalGas Rule 30 gas quality specifications. The Rule 30 compliant processed gas / biomethane is delivered to SoCalGas' Biomethane Compression.

The local dairies supplying biogas to deliver the volume for the Pilot Project Capacity are as follows, based on estimated Manure Equivalent Milkers and estimated average Biomethane production levels, and any not listed are deemed to support Incremental Capacity:

Dairy	Estimated Manure Equivalent Milkers	Estimated Biomethane (MSCFD)
Aukeman Dairy		
Bos Dairy		
Dykstra Dairy		
El Monte Dairy		
Elk Creek Dairy		
Horizon Jerseys Dairy		
Rancho Teresita Dairy		
Rib-Arrow Dairy		
Ribeiro Dairy		
Riverbend Dairy		
Scheenstra Dairy		
Total		

Map of local dairies:



**EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

CalBioGas South Tulare LLC

and

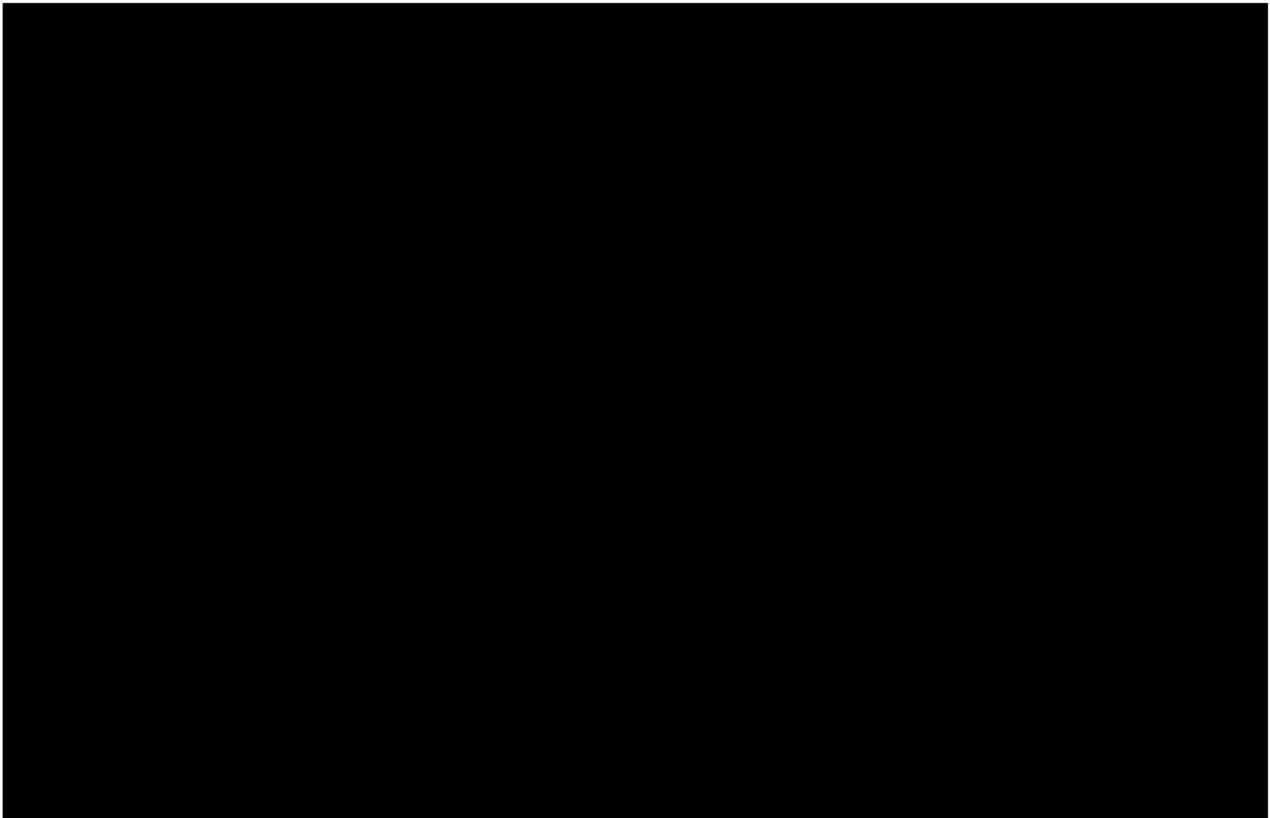
Southern California Gas Company

Dated: February 26, 2019

SoCalGas' Facilities, identified as Orifice Meter \_\_\_\_\_ (OM \_\_\_\_\_), are owned and operated by SoCalGas and include the Gas pipelines, Biomethane Compression, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system as generally depicted in the Meter Set Assembly for South Tulare Interconnect Project diagram below and Schedule G-CPS Exhibit A (plus the Biomethane Compression).

The Interconnection Point and SoCalGas' Facilities start on Interconnector's property, at or near [REDACTED] as generally shown below, and connect to SoCalGas' Biomethane Compression facility whose Maximum Operating Pressure ("MOP") is [REDACTED] psig. The biomethane will flow into SoCalGas' Line 7000.



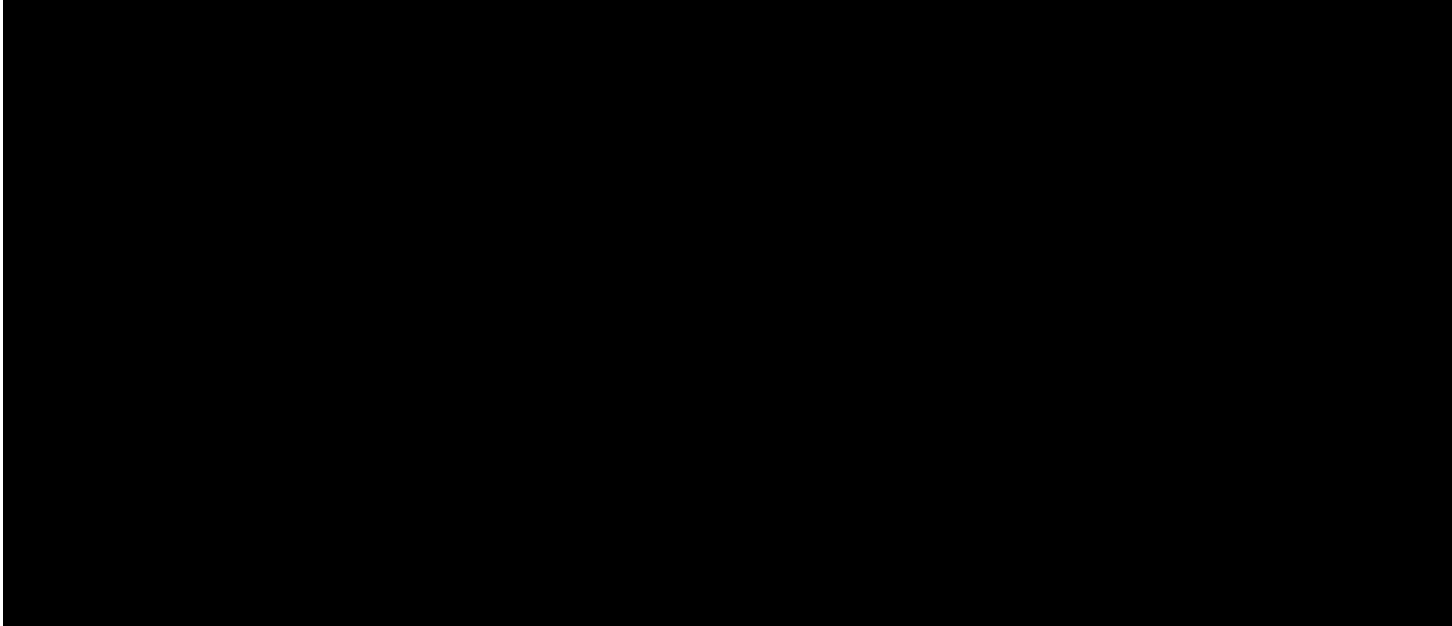


Interconnection Point will be an electronically isolated flange at the end of Interconnector's Facilities and SoCalGas' Facilities inlet piping as generally depicted in the South Tulare Interconnect Project diagram below.

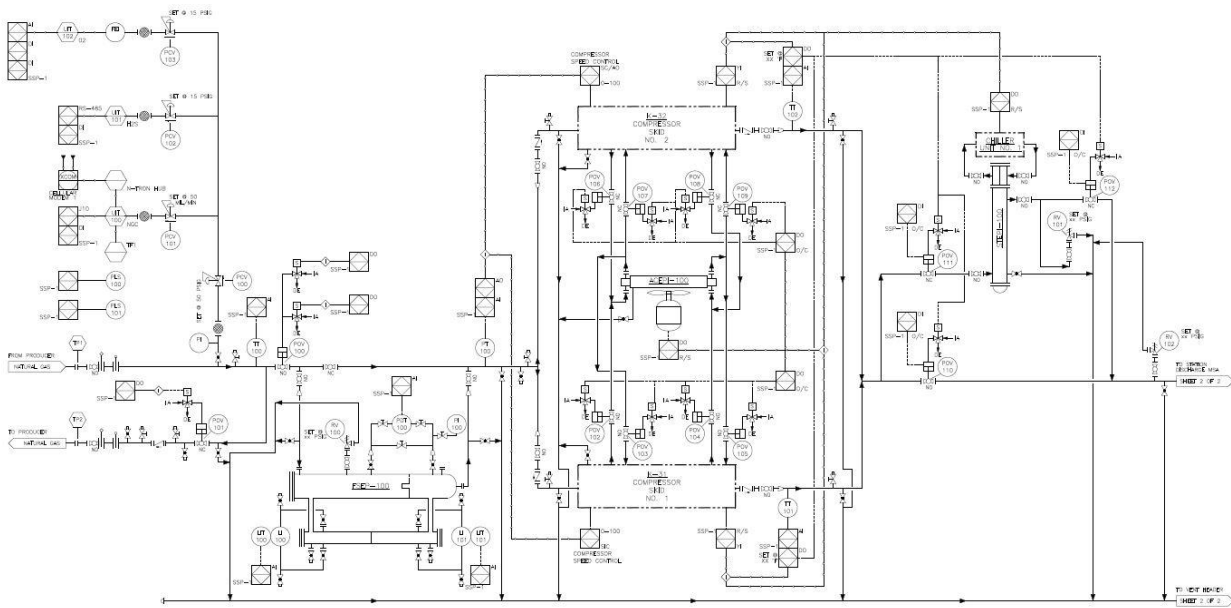
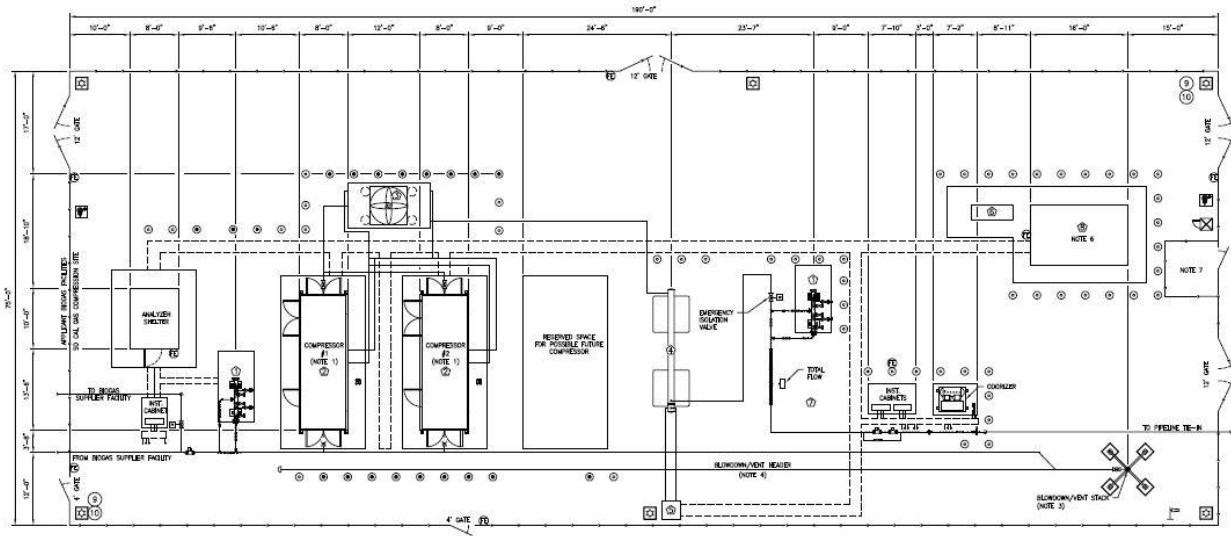
SoCalGas' Biomethane Compression will be designed for a minimum suction pressure of [REDACTED] [REDACTED] psig and a minimum volume of [REDACTED] MScfH.

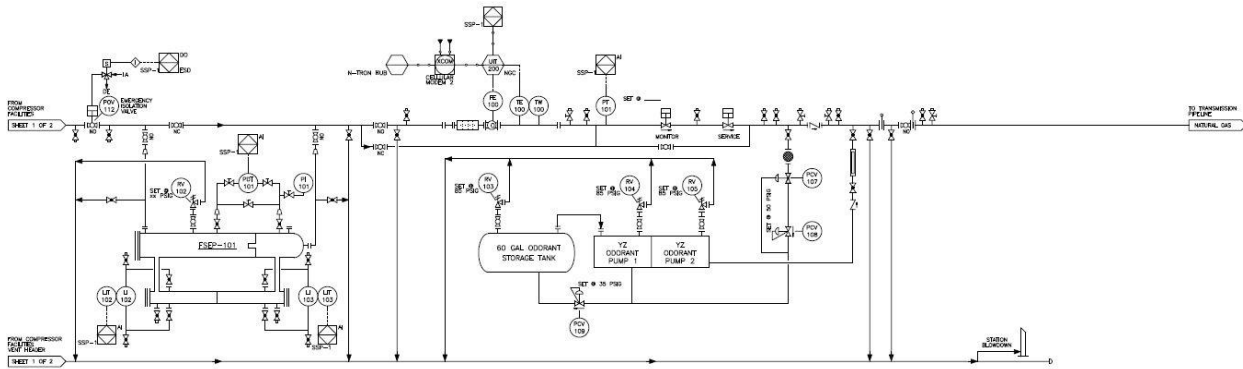
SoCalGas measurement will be designed for a minimum ten inch (10") and maximum three hundred inch (300") of water column ("w.c.") differential on a sustained basis yielding a minimum [REDACTED] and maximum [REDACTED] [REDACTED] MScfD, ratably delivered on an hourly basis [REDACTED] MScfH, respectively). On a temporary basis, the measurement minimum is five-tenths of an inch (0.5") w.c. differential.

**Illustration of South Tulare Interconnect Project Diagram:**



# Illustrations of SoCalGas' Facilities:





**EXHIBIT D: INTERCONNECTOR DEMONSTRATION OF PROJECT READINESS**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

CalBioGas South Tulare LLC

and

Southern California Gas Company

Dated: February 26, 2019

**CHECKLIST**

<b>COMMERCIAL</b>	
<input type="checkbox"/>	Project Funding Matrix (Executed)
	<ul style="list-style-type: none"><li>• Provided actual executed agreements with all investors</li><li>• Provide actual executed loan agreements from all lenders</li><li>• Updated Project Budget, including incorporation of the EPC definitive cost estimate, is within approved funding levels</li></ul>
<input type="checkbox"/>	Project Materials Supply Agreements Matrix
	<ul style="list-style-type: none"><li>• All feedstock (manure) supply agreements in place with each dairy with sufficient volume to support operations at full capacity</li><li>• All chemical or catalyst supply agreements are in place with sufficient volume to support operations at full capacity</li></ul>
<input type="checkbox"/>	Project Product Off-take Agreements Matrix
	<ul style="list-style-type: none"><li>• Identify primary partners/clients and projected RNG off-take volumes</li></ul>

<b>SITE</b>	
<input type="checkbox"/>	Civil Works and Site Plans Stamped by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Geotechnical evaluations – subsurface conditions accounted for in design and construction cost estimate</li> <li>• ALTA (American Land Title Association) Surveys</li> </ul>
<input type="checkbox"/>	Encroachment Permit List/Right of Way Agreements Matrix
	<ul style="list-style-type: none"> <li>• Interconnections (utilities, feedstock, product transportation) have been planned and mutually agreed upon by all associated parties (utility suppliers, feedstock providers, biogas to conditioning/sweetening system(s), etc.)</li> <li>• Identify which permits have been approved and agreements executed and indicate expected dates of completions for those still pending</li> </ul>
<input type="checkbox"/>	Site lease and/or purchase agreements executed for each location
<b>PROJECT</b>	
<input type="checkbox"/>	Project Execution Plan
<input type="checkbox"/>	Long Lead-time/Critical Equipment Issued Purchase Orders and Down Payments
<input type="checkbox"/>	Operations and Maintenance (O&M) Plan
	<ul style="list-style-type: none"> <li>• Overall approach strategy (3<sup>rd</sup> party service provider, self-perform, etc.)</li> <li>• Training and Staffing Plan</li> <li>• Spare parts plan</li> <li>• O&amp;M agreement with service provider(s)</li> </ul>
<b>TECHNOLOGY</b>	
<input type="checkbox"/>	Front End Engineering Design (FEED) Issued by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Process design complete for complete operations at full capacity, including digesters and conditioning/sweetening systems at each dairy, gathering lines, and upgrading plant <ul style="list-style-type: none"> <li>– Process and utility equipment specifications</li> <li>– Process flow diagrams (PFDs) and piping &amp; instrument diagrams (P&amp;IDs)</li> <li>– Mass and energy balance for overall process and each site and system/subsystem</li> <li>– Utility and balance-of-plant support requirements</li> </ul> </li> </ul>
<input type="checkbox"/>	Technical license agreements have been executed and all related fees and royalties are accounted for in capital and operating cost models

<b>ENVIRONMENTAL/REGULATORY</b>	
<input type="checkbox"/>	Project Permit List Matrix (with application status, durations, contacts, costs)
<input type="checkbox"/>	California Environmental Quality Act (CEQA) Determinations Report
	<ul style="list-style-type: none"> <li>• Environmental permit requirements under California Environmental Quality Act (CEQA) and other applicable guidelines and standards as well as local, State and Federal laws are fully identified</li> <li>• Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A of Exhibit 1)</li> </ul>
<input type="checkbox"/>	County Planning Approvals
<input type="checkbox"/>	California Air Resource Board Approvals
<input type="checkbox"/>	California State Water Resources Control Board Approvals
<input type="checkbox"/>	Office of the State Fire Marshal Approvals

<b>CONSTRUCTION</b>	
<input type="checkbox"/>	EPC or Contractor Executed Agreement(s)
	<ul style="list-style-type: none"> <li>• Scope of work</li> <li>• Performance and schedule guarantees</li> <li>• Warranties</li> <li>• Acceptance criteria</li> <li>• Testing criteria</li> <li>• Liquidated damages</li> <li>• Startup/Commissioning</li> </ul>
<input type="checkbox"/>	Baseline Project Schedule

**CalBioGas South Tulare LLC**

Attachment B: California Producer Interconnect Collectible System Upgrade Agreement  
for SB 1383 Dairy Pilot Project (Form 6456)



EXHIBIT C

CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM UPGRADE AGREEMENT for SB 1383 DAIRY PILOT PROJECT

This Agreement (“Agreement”) is entered into as of February 26, 2019 (“Effective Date”) by and between Southern California Gas Company (“SoCalGas”) and CalBioGas South Tulare LLC, a California Limited Liability Company (“Interconnector”). SoCalGas and Interconnector may be referred to herein severally as a “Party,” or jointly as “Parties.”

WHEREAS, SoCalGas is a public utility regulated by the California Public Utilities Commission and is involved in the receipt and redelivery of natural gas to its customers; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Senate Bill (“SB”) 1383 requires the CPUC, in consultation with the California Air Resources Board (“ARB”) and the California Department of Food and Agriculture (“CDFA”) (collectively, the “Selection Committee”), to direct Utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys including the South Tulare – California Bioenergy project herein; and

WHEREAS, Interconnector is a dairy based biomethane developer and would benefit from SoCalGas being capable of receiving Gas at the Interconnection Point for redelivery to customers; and

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

**SECTION 1**  
**SCOPE OF AGREEMENT**

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to design, engineer and construct Gas facilities including pipelines, Biomethane Compression, meters, regulators and appurtenant facilities and related system upgrades in order to provide the Interconnect Capacity from Interconnector’s pipeline facilities near [REDACTED] to SoCalGas’ existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector’s Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to the California Producer Interconnection Agreement (“CPIA”) and California Producer Operational Balancing Agreement (“CPOBA”) between the Parties dated February 26, 2019, for the account of itself or its affiliates or third parties for transport on SoCalGas’ pipeline system in California. Interconnector agrees to pay the actual costs for SoCalGas’ Facilities constructed by SoCalGas hereunder that are caused by

Interconnector's Incremental Capacity. Payment by Interconnector does not imply that Interconnector is entitled to receive transportation services from the Interconnection Point under this Agreement. Attached hereto as Exhibit A and incorporated by reference herein is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B and incorporated by reference herein.

(b) Definitions - For purposes of this Agreement defined terms shall the meaning set forth in the CPIA or as otherwise set forth below:

(i) "SoCalGas' Facilities" shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement including Btu district additions and enhancements, Biomethane Compression, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the state of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) "CPUC" shall mean the Public Utilities Commission of the State of California.

(iii) "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas' tariffs, rules and other applicable regulations.

(iv) "In-Service Date" is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) "Interconnect Capacity" shall be as defined in the CPIA. Interconnect Capacity does not reflect SoCalGas' ability to provide takeaway capacity from the outlet of SoCalGas' Facilities at the Interconnection Point.

(vi) "Interconnection Point" shall mean that point where SoCalGas' Facilities and Interconnector's Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) "Interconnector's Facilities" shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by Interconnector up to the Interconnection Point.

(c) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Hinshaw Exemption. SoCalGas shall not be

required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

## **SECTION 2** **CONDITIONS PRECEDENT**

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Conditions:

(i) Governmental Authorizations:

1. Interconnector: On or before [REDACTED], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction and [REDACTED] for operation of Interconnector's Facilities.

2. SoCalGas: On or before commencement of construction, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) from any other governmental or local agency, if necessary in SoCalGas' sole judgment, the proper approvals required for SoCalGas to dispense its duties under this Agreement.

(ii) Interconnector Commitments:

1) On or before commencement of construction, Interconnector shall have paid SoCalGas for SoCalGas' total estimated Incremental Capacity Cost related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

2) Prior to SoCalGas incurring significant costs, including but not limited to, procuring materials and constructing SoCalGas' Facilities, Interconnector shall

provide adequate evidence and documentation to show the project is considered project ready pursuant to the CPIA Exhibit D Interconnector Demonstration of Project Readiness.

(iii) SoCalGas Commitments: On or before commencement of construction, SoCalGas shall have accepted payment by Interconnector of the total estimated Incremental Capacity Cost related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

(c) Notification - Each Party shall notify the others in writing whenever in its sole opinion any of the foregoing conditions in Subsection 2 (b) have been satisfied. Interconnector shall retain the right to waive conditions 2(b)(i)(2) and SoCalGas shall retain the right to waive conditions 2(b)(i)(1) and 2(b)(ii) (but no such condition may be waived except in writing).

(d) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such 45th day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(e) Cooperation - Each Party shall cooperate with the other Parties as is reasonable under the circumstances, and keep the other Parties advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

(f) Termination Charges - In the event that this Agreement is terminated under Subsection 2(d), Interconnector shall pay SoCalGas the actual costs of that portion of SoCalGas' Facilities constructed to date plus any other costs already incurred and other unavoidable costs incurred or to be incurred by SoCalGas arising out of SoCalGas' performance pursuant to this Agreement for all Incremental Capacity.

### **SECTION 3**

#### **CONSTRUCTION, PAYMENT, AND OPERATIONS**

(a) Description of Interconnection Facilities - Interconnector's Facilities shall interconnect with the SoCalGas' Facilities at the Interconnection Point. All deliveries of Gas by Interconnector to SoCalGas for transport shall occur at the Interconnection Point. All Interconnector's and SoCalGas' Facilities shall meet SoCalGas' minimum specifications for materials, installation, testing and acceptance.

(b) Installation of Facilities

(i) At the Interconnection Point, Interconnector shall install such piping, regulators, valves, separators, quality measurement, odorant or other equipment as the Parties mutually agree are necessary on the Interconnector's system to deliver at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed) at a delivery pressure sufficient to enter the SoCalGas system at the Interconnection Point, but not to exceed the Maximum Allowable Operating Pressure ("MAOP"), as solely determined by SoCalGas. Interconnector shall also acquire the rights-of-way for SoCalGas' Facilities to SoCalGas' sole satisfaction.

(ii) SoCalGas shall design, engineer and acquire permits, if necessary, to construct, and install such piping, regulators, valves, meters, separators, quality measurement, odorant or other equipment, as it deems necessary to have the capability to measure, regulate, and receive from the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed).

(iii) No SoCalGas Facilities which are to be paid for by Interconnector shall be designed, engineered or constructed by SoCalGas without Interconnector's prior written approval of the total estimated cost, as set forth in Exhibit C. Interconnector acknowledges that the total estimated Incremental Capacity Cost is an estimate only and that Interconnector will be responsible for SoCalGas' actual costs including, but not limited to, its labor, procurement, permits and associated fees, indirect costs and internal overheads, of designing, engineering, installing and constructing any facilities described in Exhibit C, including any related income tax liability thereon, whether or not such costs are above or below advance payments made or detailed cost estimates provided to Interconnector by SoCalGas.

(iv) SoCalGas shall submit to Interconnector, as available from time to time, any proposal regarding the scope of services to be performed, and schedules for construction (including ordering materials) and estimated costs related to implementing such Interconnection Capacity as set forth in Exhibit C, based on the mutually agreed date projected as the In-Service Date (as determined in good faith from time to time).

(v) Interconnector shall, within a reasonable period of time given the nature of any such proposal, accept or reject any such proposal in writing.

(vi) Interconnector shall be solely responsible hereunder for any failure by SoCalGas to timely complete SoCalGas' Facilities at the Interconnection Point delaying the In-Service Date including all costs resulting therefrom, which failure is solely attributable to Interconnector's delay or refusal in approving any reasonable proposal by SoCalGas.

(vii) Prior to SoCalGas making any financial commitment hereunder, SoCalGas, in its sole discretion, shall be satisfied that Interconnector has the financial capability of performing fully any payment obligations to SoCalGas that may arise in connection therewith.

(viii) If the Interconnection Point or any related facilities are deemed noncompliant with any order, rule or regulation of any governmental agency as interpreted by SoCalGas, SoCalGas shall send Interconnector a notice of the noncompliance along with an Incremental Capacity Cost estimate and scope of additional work for correction that would be done pursuant to the terms herein. The Interconnector shall have thirty (30) calendar days to respond to SoCalGas with payment of estimated costs for the specified remediation project. Failure by Interconnector to provide an acceptable response to SoCalGas shall result in a suspension of access at the Interconnection Point until such time as the identified issue is corrected to SoCalGas' satisfaction.

(c) Payment by Interconnector - Interconnector shall advance SoCalGas' total estimated Incremental Capacity Cost set forth within the scope of an approved Exhibit C, if applicable. After a final accounting has been made by SoCalGas but in no event later than 18 months after the In-Service Date, Interconnector shall reimburse SoCalGas for its actual costs above the prepaid estimated costs, including indirect costs and overheads, carrying costs, designing, engineering, installing, permitting and constructing SoCalGas' Facilities set forth in an approved Exhibit C, and including any related income, CIAC, or other tax liability thereon, even if such costs are above cost estimates provided to Interconnector by SoCalGas within thirty (30) calendar days of invoice from SoCalGas. After a final accounting has been made by SoCalGas but in no event later than 18 months after the In-Service Date, any advances paid, which are in excess of SoCalGas' actual costs, shall be returned to Interconnector.

(i) With respect to the Incremental Capacity Cost, Interconnector may request and SoCalGas shall agree to Interconnector's audit of the accounting records applicable to the construction of SoCalGas' Facilities for the Incremental Capacity at Interconnector's expense. Such audit must be conducted during the term hereof or for a period of up to one year after termination and by a certified public accountant.

(d) Interconnector Guaranty - In the event that on or before, 12/31/2021, the In-Service Date has not occurred, SoCalGas shall invoice Interconnector and Interconnector shall within ninety (90) calendar days following receipt of the invoice, reimburse SoCalGas for the actual Incremental Capacity Cost unpaid to date (including indirects, overheads, and carrying costs if applicable) of all SoCalGas' Facilities constructed and services provided pursuant to this Agreement.

(e) Coordination - The Parties shall cooperate together and establish such procedures as may be deemed appropriate by the Parties to coordinate the design, planning, construction and completion by the In-Service Date of Interconnector's and SoCalGas' Facilities at the Interconnection Point.

(f) General Indemnity - As between SoCalGas on the one hand, and Interconnector on the other hand, each Party shall be solely responsible for, and shall indemnify, defend and hold the other Party and its officers, shareholders, employees, agents, representatives, successors and assigns harmless from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses including without limitation, reasonable attorneys fees (including fees and disbursements of in-house and outside counsel) of any kind

whatsoever to the extent resulting from the indemnifying Party's negligent performance of its obligations pursuant to this Agreement.

(g) Specific Indemnity - As to the actual "tying-in" of the respective facilities constructed by the Parties under this agreement, SoCalGas shall be solely responsible for performing the "tie-in".

#### **SECTION 4** **ASSIGNMENT**

Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(a) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(b) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(c) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

#### **SECTION 5** **NOTICES**

(a) Form of Notice – All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

Interconnector:

Mailing Address: CalBioGas South Tulare LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Email Address:

[REDACTED]

SoCalGas:

Mailing Address: Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
559-739-2307  
Attn: Ty Korenwinder

Email Address: [tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

## **SECTION 6** **LIMITED WARRANTY**

(a) Services - SoCalGas warrants to Interconnector that the work performed by SoCalGas will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.



**SECTION 7**  
**MISCELLANEOUS**

(a) Laws - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. In the event of a delay caused by a force majeure event, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

(c) Entire Agreement - This Agreement, the CPIA, the SB 1383 Dairy Pilot Project Funding Agreement, the CPOBA and the Confidentiality Agreement (effective date March 17, 2018) between the Parties (the "Project Agreements") constitute the entire agreement between the Parties pertaining to the subject matter hereof, and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one or more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

(d) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(e) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

(f) Disputes - Any dispute or need for interpretation arising out of this Agreement, which cannot be resolved after a reasonable period of time of good faith negotiation, will be submitted to the CPUC for resolution.

(g) Term - This Agreement shall become effective on the Effective Date provided at the beginning of this Agreement and, unless terminated earlier, continue until the later of the "In

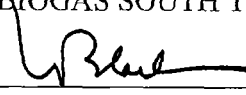
Service Date” for Interconnector’s Facilities or the date upon which the Parties’ obligations under this Agreement have been fulfilled.

(h) Attorneys’ Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

(i) Regulation - SoCalGas is a California utility subject to the jurisdiction of the CPUC. In the event the CPUC, or any other administration agency with jurisdiction over the subject matter hereof, materially change, alter or modify this Agreement, such that a party is deprived of its benefits anticipated herein such Party may terminate this Agreement upon 15 calendar days notice or immediately if necessary to comply. In such event Interconnector remains liable for payment of those costs incurred by SoCalGas pursuant to any approved Exhibit B up to such date.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their authorized representatives as of the day and year first written above.

CALBIOGAS SOUTH TULARE LLC

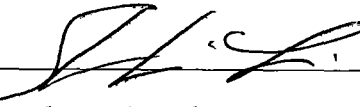
By: 

Name: Neil Black

Title: President

Date: 02-28-19

SOUTHERN CALIFORNIA GAS COMPANY

By: 

Name: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/19

**EXHIBIT A: INTERCONNECTOR'S FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM  
UPGRADE AGREEMENT**

between

CalBioGas South Tulare LLC

and

Southern California Gas Company

Dated: February 26, 2019

Interconnector's Facilities are defined in the CPIA Exhibit A.

**EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES**  
**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM**  
**UPGRADE AGREEMENT**

between  
CalBioGas South Tulare LLC  
and  
Southern California Gas Company  
Dated: February 26, 2019

Interconnector's Facilities and SoCalGas' Facilities are identified in the CPIA Exhibit B.

**EXHIBIT C: SCOPE OF SERVICES**

**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM  
UPGRADE AGREEMENT**

between  
CalBioGas South Tulare LLC  
and  
Southern California Gas Company  
Dated: February 26, 2019

Interconnector requests SoCalGas to complete the design, engineering, procurement and construction, commissioning activities described herein, for the installation of SoCalGas’ Facilities located at or near [REDACTED] to accommodate Interconnector’s Rule 30 compliant Gas deliveries, ranging from a minimum to a maximum of [REDACTED] and [REDACTED] thousand standard cubic feet per day (MScfD), respectively, delivered at a one-twenty-fourth (1/24) hourly equivalent rate (“Scope of Services”)<sup>1</sup>.

SoCalGas shall fund the Table A: Pilot Project Capacity SoCalGas’ Facilities Authorized Bid Amount per the Decision and this Agreement.

SoCalGas shall invoice Interconnector the estimated Table B: SoCalGas’ Facilities Incremental Capacity Cost Incremental Capacity Cost of [REDACTED] for this component of the Scope of Services (“Estimated Costs”). The invoice shall also include, to the extent they are taxable to SoCalGas, an estimate of the applicable Income Tax Component of Contributions and Advances (“ITCCA”) for the capital portion of all contributions and advances by Interconnector.

Table A: Pilot Project Capacity SoCalGas’ Facilities Authorized Bid Amount based on 68 MScfH

Scope	Total Installed Cost	Annual O&M
Pipeline Lateral and Biomethane Compression	[REDACTED]	[REDACTED]
Interconnection (Point of Receipt)	[REDACTED]	[REDACTED]
Pipeline Extension	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

<sup>1</sup> SoCalGas’ Facilities, except for the Compression Facility, have been designed for a maximum flow rate of [REDACTED] MScfD. CalBioGas South Tulare LLC anticipates increasing the maximum flow rates, if it signs up new dairies, to [REDACTED] MScfD by adding a compressor and will execute and fund the CPICSUA to accomplish this.

Table B: SoCalGas' Facilities Incremental Capacity Cost

Scope	Total Installed Cost
Pipeline Lateral and Biomethane Compression	
Interconnection (Point of Receipt)	
Pipeline Extension	
Total	

At Interconnector's request and for informational purposes only, SoCalGas has categorized, in the Table B above, SoCalGas' Incremental Capacity Cost estimate into pipeline lateral and Biomethane Compression, Interconnection Point, and pipeline extension.

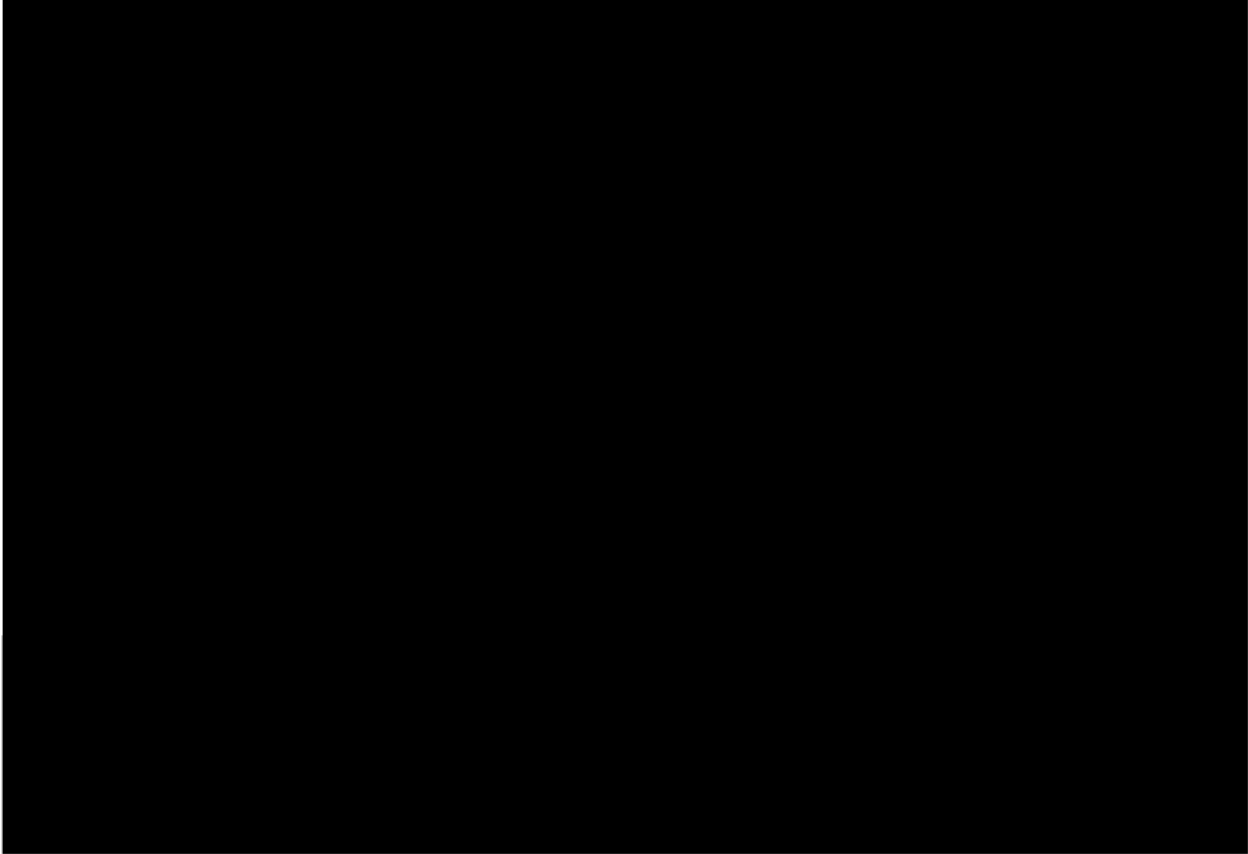
*\*All cost estimates expire upon the earlier of ninety (90) calendar days after the date sent by SoCalGas or the otherwise stated expiration date or condition(s).*

*Interconnector acknowledges and agrees that estimated costs and timeline for the services to be provided under this Agreement, including the In-Service Date, are subject to change and may be impacted by additional interconnection requirements and conditions including, but not limited to, availability of materials and contractors, unforeseen permitting, environmental, or construction requirements, and/or other legal, regulatory or Interconnector actions or contractual requirements that may cause delay, such as Interconnector's failure to (i) execute all necessary agreements, (ii) provide requested information, (iii) fund invoices, and (iv) obtain necessary governmental authorizations or approvals and permits necessary for SoCalGas Facilities, and/or (v) SoCalGas' acceptance of Installment Payments at Interconnector's request.*

*SoCalGas explicitly makes no representations or warranties concerning its ability to meet the Scope of Services targeted completion dates and shall not be liable for any cost or damage incurred by Interconnector because of any delay in the work provided for in this Agreement.*

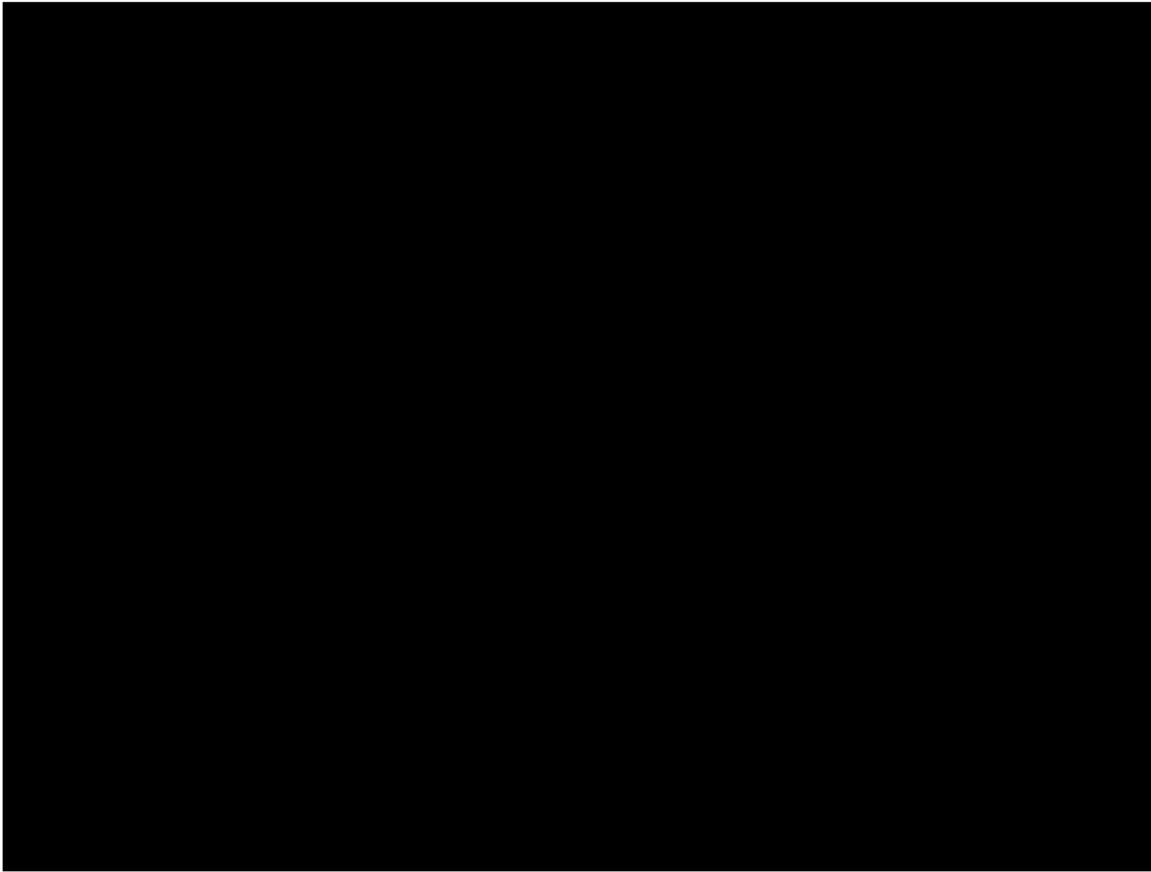
**Exhibit C-1: PROJECT SCHEDULE**

**SoCalGas Schedule**





**Interconnector Schedule**



**CalBioGas South Tulare LLC**

Attachment C: California Producer Operational Balancing Agreement (Form 6452)

CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT

between  
CalBioGas South Tulare LLC  
and  
SOUTHERN CALIFORNIA GAS COMPANY

THIS CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT (“Agreement”) is made and entered into by and between CalBioGas South Tulare LLC, a California Limited Liability Company, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this 26<sup>th</sup> day of February 2019. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

**RECITALS**

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under section 1 (c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, the Parties desire to provide for the delivery to, and receipt of, natural gas by the SoCalGas system as set forth in this Agreement and the California Producer Interconnection Agreement; and

WHEREAS, Interconnector and/or SoCalGas have entered, or may enter, into one or more agreements with third party Service Requesters (hereinafter referred to as “Service Requester(s)”) for the transportation of Gas to the delivery point Interconnection Point(s) or from the receipt point Interconnection Point(s) on their respective systems as shown in Exhibit 1 (said agreements hereinafter referred to as “Service Requester Agreements”); and

WHEREAS, from time to time, the quantities of Gas confirmed and scheduled by the Parties to be delivered to, or received at, the Interconnection Point (said quantities hereinafter referred to as the “Scheduled Quantities”) may be greater or less than the quantities of Gas which are actually delivered at the Interconnection Point, resulting in over- or under-deliveries relative to Scheduled Quantities; and

WHEREAS, the Parties desire to implement this Agreement in order to facilitate more efficient operations, accounting, and systems management at the Interconnection Point and on the SoCalGas system, and to provide for certain terms and conditions under which Gas will be

delivered by Interconnector and accepted by SoCalGas, for the account of Service Requester(s) and/or their designees at the Interconnection Point.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Parties agree as follows:

## **SECTION I** **SCOPE OF AGREEMENT**

1.1 Scope – This Agreement sets forth the terms and conditions governing the treatment of Operational Imbalances at the Interconnection Point between the pipeline facilities that have been constructed or will be constructed at such Interconnection Point by SoCalGas and Interconnector for all Gas delivered by Interconnector to SoCalGas for the account of itself or its affiliates or third parties at the Interconnection Point as set forth below and incorporating herein the provisions of the Recitals above. The Parties have or will have executed the California Producer Interconnection Agreement, and its execution and performance is a condition precedent to the obligations herein. No action or inaction of SoCalGas will or shall relieve Interconnector of this obligation.

1.2 Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in the California Producer Interconnection Agreement, is effective as of the date first written above and shall remain in effect for a primary term of twenty (20) years from the date Gas first flows through the Interconnection Point (the “Commencement Date”), and year to year thereafter.

1.2.1 Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement.

1.2.2 SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector, or in the event of a material default by Interconnector, upon sixty (60) calendar days following Interconnector’s receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

1.2.3 In the event the California Producer Interconnection Agreement has not been fully executed by February 26, 2019, or any pipeline system construction that is necessary to begin Gas deliveries or

receipts at the Interconnection Point is not completed on or before [REDACTED] or Gas flows substantially equal to the minimum Interconnection Capacity volume have not commenced within 365 days of completion of the interconnection, SoCalGas may terminate this Agreement with sixty (60) calendar days prior written notice.

1.3 Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

- 1.3.1 “Interconnector’s Facilities” shall mean those Gas pipeline facilities as defined in the California Producer Interconnection Agreement.
- 1.3.2 “California Producer Interconnection Agreement” shall mean an agreement executed between the Parties that provides the terms and conditions governing the operations at the Interconnection Point between Interconnector’s Facilities and SoCalGas’ Facilities.
- 1.3.3 “Gas” shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas’ tariffs, rules and other applicable regulations.
- 1.3.4 “Interconnect Capacity” shall be as defined in the California Producer Interconnection Agreement.
- 1.3.5 “Interconnection Point” shall mean that point where SoCalGas’ Facilities and Interconnector’s Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as described in the California Producer Interconnection Agreement. The location of the Interconnection Point is described in Exhibit 3.
- 1.3.6 “SoCalGas’ Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point as defined in the California Producer Interconnection Agreement, for receipt into SoCalGas’ system in the State of California pursuant to this Agreement. SoCalGas’ Facilities shall be owned and operated by SoCalGas and are generally set forth in Exhibit 2.
- 1.3.7 “Operational Imbalance” shall mean actual physical deliveries of Gas less Gas quantities that are scheduled to be delivered. Therefore, Operational Imbalance shall be positive for over-deliveries, i.e., deliveries greater than scheduled deliveries.

Operational Imbalance shall be negative for under-deliveries, i.e., deliveries less than Scheduled Quantities.

1.3.8 “OFO Day” shall mean any Gas flow day for which SoCalGas calls an OFO as described in Rule 30.

1.3.9 “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate California Producer Operational Balancing Agreements or another agreement governing access to SoCalGas' system.

#### 1.4 Regulatory Jurisdiction

1.4.1 Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

1.4.2 FERC Jurisdiction - This Agreement is entered into by the Parties with the understanding that the balancing activities provided for hereunder will not subject any non-jurisdictional entity to regulation by the FERC as a “natural gas company” under the provisions of the Natural Gas Act. If, at any time, it is determined by FERC that such balancing activities do result in such regulation, then either Party may immediately terminate this Agreement by providing written notice to the other Party, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

1.4.3 CPUC Jurisdiction – If the CPUC or any other regulatory body, at any time, shall assert that Interconnector as a result of delivery of

Gas hereunder, is a public utility or subject to regulation as such or that such regulatory body may prevent SoCalGas from complying with this Agreement in any respect, then within thirty (30) calendar days of such assertion either Party may, upon written notice to the other Party, terminate this Agreement effective thirty (30) calendar days after such written notice, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

## **SECTION II** **SCHEDULING**

2.1 Nominations, Confirmations and Scheduling - Prior to the date and time of flow at the Interconnection Point, the Parties shall nominate, confirm and schedule volumes of Gas which will be delivered or received at the Interconnection Point. Such nominations and confirmations between the Parties shall be made electronically or in writing, unless otherwise mutually agreed to by the Parties. Such nominations, confirmations and scheduling by the Interconnector will be in compliance with the North American Energy Standards Board (“NAESB”) standards and SoCalGas protocols. If Interconnectors’ Gas is delivered through a Split Meter, then one of the California Producers delivering Gas through that Split Meter shall be designated as the Interconnection Point operator who shall provide SoCalGas, in writing, with the Split-Meter allocation for that particular Split Meter within seven (7) calendar days after each non-OFO Day and within one (1) business day after each OFO Day. If the Split-Meter allocation is not provided by the Interconnection Point operator by the close of business (5:00 P.M. Pacific Clock Time) on the applicable day, then the last Split-Meter allocation provided by the Interconnection Point operator shall be used.

2.2 Operational Imbalance and Cash-Out – Interconnector shall to the extent feasible make deliveries of Gas at the Interconnection Point at substantially uniform rates of flow during a particular flow day. Any Operational Imbalance outside of the Tolerance Band (as defined in Subsection 2.2.1) created will be the responsibility of the Interconnector to eliminate pursuant to this Agreement. For Gas accounting purposes, all daily Scheduled Quantities as scheduled for flow day shall be deemed to be delivered regardless of the actual volume of Gas delivered. Any Operational Imbalance outside of the Tolerance Band shall be eliminated as soon as practicable, using the same Interconnection Point, by mutually agreeable arrangements between Interconnector and SoCalGas.

2.2.1 Non-OFO Days - If, at any Interconnection Point, the cumulative Operational Imbalance is outside the tolerance band of plus or minus ten percent ( $\pm 10\%$ ) of seven (7) days of Interconnect Capacity expressed in decatherms ( [REDACTED] ) (“Tolerance Band”), the following flow day shall begin an Operational Imbalance payback period

(hereinafter “Payback Period”) not to exceed fourteen (14) calendar days. The 14-day Payback Period for an Operational Imbalance resulting from a Split Meter shall begin on the flow day after the date the Operational Imbalance allocation is finalized by SoCalGas. An Operational Imbalance shall be deemed to be finalized when the Operational Imbalance is posted by SoCalGas on its Electronic Bulletin Board (“EBB”) and designated as such. The Payback Period will be used to bring the cumulative Operational Imbalance that occurred before and during the Payback Period within the Tolerance Band. During the 14-day Payback Period, the Interconnector may also trade any Operational Imbalances, accruing to or caused by Interconnector, with other Interconnector(s) with an effective California Producer Operational Balancing Agreement (“Trading Partner”). A trade will not be confirmed by SoCalGas if the trade would cause the Trading Partner’s Operational Imbalance to go outside its Tolerance Band. The Interconnector may trade Operational Imbalance quantities up to a maximum of its cumulative Operational Imbalance including quantities outside of its own Tolerance Band and those quantities within its own Tolerance Band. SoCalGas will verify each such trade on the next business day and make appropriate quantity adjustments to the associated accounts on that day. When the cumulative Operational Imbalance is no longer outside the Tolerance Band, the Payback Period will cease. If at the end of the Payback Period any positive Operational Imbalance (over-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by SoCalGas to Interconnector at the rate set forth in Schedule No. G-CPS. Under this Agreement, SoCalGas has no interest in or claim to any environmental attributes, including, but not limited to California Air Resources Board Low Carbon Fuel Standard credits or Environmental Protection Agency Renewable Fuel Standard Renewable Identification Numbers, associated with the cash-out quantity. If at the end of the Payback Period any negative Operational Imbalance (under-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by Interconnector to SoCalGas at the rate set forth in Schedule No. G-CPS. The Parties may mutually agree to waive the balancing provisions of this Agreement and to permit an Operational Imbalance to arise, in which case such imbalance shall be reduced to, or below, a specified Dth level as soon as practicable according to a mutually agreed upon schedule.

- 2.2.2 Split Metering – Financial responsibilities for any resulting imbalance cash-out payments, including any cash-out payments for imbalances on OFO Days, and credit requirements shall belong individually to each California Producer (as described in its own California Producer Operational Balancing Agreement or another



agreement governing access to SoCalGas' system) using the Split Metering arrangement.

2.2.3 OFO Days – During OFO Days, the Interconnector shall be required to balance in accordance with SoCalGas' Rule 30 and be subject to the charges specified therein. The requirement to balance on the OFO Day shall be applied at all times, including any defined Payback Period. Operational Imbalance quantities during an OFO Day that are outside the appropriate OFO Day tolerance level will be considered in the calculation of the cumulative Operational Imbalance for non-OFO Days. Operational Imbalances cashed out pursuant to Rule 30 will be removed from the Interconnector's Operational Imbalance and the information will be promptly communicated to the Interconnector. For Split Meters, the allocation of Gas deliveries on OFO Days shall be in accordance with Section 2.1. The financial responsibility for any Split Meter cash-outs for OFO Days shall be in accordance with Section 2.2.2.

2.3 Measurement Correction - Operational Imbalances that may arise from time to time as the result of a measurement correction for a prior period shall be resolved as follows: (i) by adding or subtracting the measurement correction to the Interconnector's then existing cumulative Operational Imbalance, or (ii) on a "cash-out" basis, or (iii) by some other mutually agreed to method. In the event the Parties cannot agree within thirty (30) calendar days after the occurrence of such Operational Imbalance as to the method to be used for the resolution of the Operational Imbalance, the "cash-out" basis shall be utilized. The cash-out rate will be equal to the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by Natural Gas Intelligence ("NGI") (or its legal successor) for each day of that particular prior period. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. If, for any reason, NGI (or its legal successor) ceases to be available for a particular imbalance period, the cash-out rate will be based on another generally accepted available publication mutually agreed to in writing by the Parties.

## 2.4. Balancing

2.4.1 Estimated operating quantities flowing at the Interconnection Point shall be used during any current period to determine the estimated Operational Imbalance at such Interconnection Point, with physical flow and/or scheduling adjustments to be made during that current period to keep the Operational Imbalance within the Tolerance Band. Interconnector and SoCalGas shall cooperate in order to minimize the daily over- and under-deliveries. In this regard, Interconnector's and SoCalGas' Gas control and/or scheduling personnel shall be in contact, to the extent necessary, each day in order to balance daily delivered quantities of Gas with Scheduled Quantities of Gas. For the purpose of this Agreement, delivery or

receipt of any Gas to resolve an Operational Imbalance is not subject to transportation charges by either Party.

- 2.4.2 The actual measured quantity of Gas at the Interconnection Point each day shall be determined and communicated by SoCalGas on its EBB. The actual measured quantity shall be determined pursuant to the applicable provisions of SoCalGas' measurement procedures and standard methodologies consistent with standard industry practices. To the extent that the actual measured quantity of Gas differs from the estimated operating quantity of Gas at the Interconnection Point, at the beginning of each month SoCalGas will calculate the difference (actual minus estimated) between the two quantities for the previous month ("True-up"). SoCalGas will add the True-up to the cumulative Operational Imbalance up to the Tolerance Band. Any True-up quantities falling outside the Tolerance Band will be subject to the cash-out rate set forth in Schedule No. G-CPS. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas.
- 2.4.3 On, or about, the 9<sup>th</sup> business day of each calendar month, information showing the quantity of Gas scheduled and delivered at the Interconnection Point during the previous month, including any quantity of Gas traded pursuant to Section 2.2.1, shall be available in SoCalGas' EBB. The information on the ending cumulative imbalance quantity shall also be provided. The Operational Imbalances shall be deemed to be agreed to unless either Party notifies the other Party within seven (7) calendar days that it believes there is an error. At a later date during the month an invoice shall be rendered showing any cash-out charges or other charges and credits, along with supporting price and volume data and detailed cash-out price calculations to enable Interconnector or third-party verification. Billing and payment shall be consistent with SoCalGas' Tariff Rule 12.
- 2.4.4 All imbalances shall be recorded on a Decatherm basis for accounting purposes.
- 2.4.5 If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service, if in the Utility's opinion receipt of such gas would jeopardize other operations, until such time appropriate actions have been taken to ensure compliance with this provision.

2.5 Disputed Calculations - All reasonable efforts shall be made by the Parties to resolve any disputed computations. Either Party may pursue resolution of a dispute as to computations or imbalances owed hereunder in accordance with the provisions of this Agreement; however, unless the Parties mutually agree otherwise, delivery of the entire imbalance due, including any disputed imbalance, shall be made to the respective Party notwithstanding such dispute resolution. Delivery of the disputed imbalance(s) shall not be deemed a waiver of any rights to recoup any imbalance amount in dispute.

### **SECTION III** **DEFAULT**

3.1 Waiver - A waiver by either Party of any one or more defaults by the other Party hereunder shall not operate as a waiver of any future default or defaults, whether of like or different character. Furthermore, no consent or waiver, expressed or implied, by any Party of any breach or default by the other Party in the performance of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance of any other obligation of the other Party. Failure on the part of any Party to complain of any act or failure to act by the other Party or to declare the other Party in default, regardless of how long such failure continues, shall not constitute a waiver by such Party of any of its rights hereunder.

3.2 Regulatory Impairment – This Agreement shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction. Notwithstanding the other provisions of this Agreement, if at any time during the term hereof, any governmental authority having jurisdiction: (a) requires changes or modifications to the terms of this Agreement that are unacceptable to either Party; or (b) takes any action whereby either Party’s delivery, receipt, and/or use of Gas hereunder shall be proscribed or subjected to terms, conditions, regulations, restraints, or limits that in the reasonable judgment of a Party prevents that Party from acting in a commercially reasonable manner to fulfill the terms of this Agreement, then such Party shall have the unilateral right to terminate this Agreement at any time upon thirty (30) calendar days written notice to the other Party, without further performance due or liability hereunder, except as to redelivery of any outstanding Gas imbalances. Nothing herein shall prevent the Parties through mutual agreement from modifying this Agreement in lieu of termination.

3.3 Sole Remedy - Each Party agrees that its sole remedy for nonperformance by the other Party or other default by the other Party in the performance of its obligations under this Agreement shall be as specified in this Agreement. Both Parties agree to use commercially reasonable efforts and actions to correct nonperformance on their respective systems in a timely manner.

3.4 Reconciliation - Upon the termination of this Agreement, the Parties agree to reconcile and eliminate any remaining Operational Imbalance pursuant to the terms and conditions of this Agreement within thirty (30) calendar days of termination. If the negative imbalance (i.e., under-deliveries) is not resolved within such thirty (30) calendar days, any

remaining imbalance shall be reduced to zero (0) by cashing out at the highest High Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. If the positive imbalance (i.e., over-deliveries) is not resolved within such thirty (30) calendar days, any remaining imbalance shall be reduced to zero (0) by cashing out at the lowest Low Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. If, for any reason, NGI (or its legal successor) ceases to be available for this particular Payback Period, the cash-out rate will be based on another generally accepted available publication mutually agreed in writing by the Parties.

**SECTION IV**  
**NOTICES**

Any notice, request, or statement provided pursuant to this Agreement shall be in writing and shall be considered as having been given, if delivered personally, when delivered, or, if either electronically communicated, mailed, sent by express mail, or overnight delivery, or if telecopied to the other Party, then, when received, at the following:

AGREEMENT NOTICES AND OTHER CORRESPONDENCE

CalBioGas South Tulare LLC c/o California Bioenergy LLC 324 S. Santa Fe Street, Suite B Visalia, CA 93292 Attn: Neil Black Telephone: 559-334-4213 (Neil) 214-906-9359 (Ross Buckenham)	Southern California Gas Company 404 N Tipton St. Visalia, CA 93292 Attn: Ty Korenwinder M.L. SC9393 Telephone: (559) 739-2307
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E-mail: [REDACTED] [REDACTED] [REDACTED] [REDACTED]	E-mail: <a href="mailto:tkorenwinder@semprautilities.com">tkorenwinder@semprautilities.com</a>
---	---

DISPATCHING AND NOMINATIONS

CalBioGas South Tulare LLC c/o California Bioenergy LLC 324 S. Santa Fe Street, Suite B Visalia, CA 93292 Attn: Neil Black, Kyle Tos Telephone: [REDACTED] [REDACTED]	Southern California Gas Company 555 W. Fifth Street Los Angeles, California 90013-1011 Gas Control: (323) 266-5888 Scheduling Fax: (213) 244-8281 Nominations: (213) 244-3900 Attn: Gas Scheduling M.L. GT20B5
---	---

E-mail:  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

E-mail: [Gasscheduling@semprautilities.com](mailto:Gasscheduling@semprautilities.com)

ALLOCATION STATEMENTS

CalBioGas South Tulare LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Southern California Gas Company  
555 W. Fifth Street  
Los Angeles, California 90013-1011  
Attn: Scheduling Manager,  
M.L. GT20B5

Telephone: [Redacted] (Neil)  
[Redacted] (Ross Buckenham)

Telephone: (213) 244-3812  
Telefax: (213) 244-8281

E-mail:  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]

E-mail: [Gasscheduling@semprautilities.com](mailto:Gasscheduling@semprautilities.com)

Changes to the designated contacts, addresses and telefax and telephone numbers specified herein may be changed from time to time by the Party affected after two (2) calendar days written notice.

**SECTION V**  
**INDEMNITY**

5.1 Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

5.2 Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on Interconnector's side of the Interconnection Point and

Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

5.3 Limitation of Liability - Notwithstanding any other provision hereof, neither Party shall be liable to the other Party for or assessed pursuant to Section VI or otherwise any special, punitive, consequential, incidental, or indirect damages or for lost business or lost profits, whether under tort, breach of contract, strict liability or any other theory, even if the Party has been advised of the possibility of such damages. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement.

## **SECTION VI** **DISPUTE RESOLUTION**

6.1 Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

## **SECTION VII** **ASSIGNMENT**

7.1 Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under one of the following circumstances:

- 7.1.1 When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or
- 7.1.2 When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

7.1.3 When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

## **SECTION VIII** **MISCELLANEOUS**

8.1 No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) over and above those included within the California Producer Interconnection Agreement or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

8.2 Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

8.3 Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) of the California Producer Interconnection Agreement.

8.4 Choice of Law - As to all matters of construction and interpretation, this Agreement shall be interpreted in accordance with the laws of California, excluding any choice of law or rules, which direct the application of laws of another jurisdiction.

8.5 Entire Agreement - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith (specifically excepting the California Producer Interconnection Agreement, which is not

affected by this Agreement) and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

8.6 Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2.1, 2.2, 2.3, and so on.

8.7 Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 3, 5 and 8 shall survive.

#### 8.8 Credit

8.8.1 Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

8.8.2 SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

8.8.3 In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

8.8.4 The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume



creditworthiness on behalf of the Interconnector in accordance with the following provisions:

SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the “Guaranty”) from the Guarantor.

The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector’s creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 8.8.5 is not received within fifteen (15) calendar days of SoCalGas’ notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

8.8.5 In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector’s Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average Daily Index – SoCal Border Average as reported by NGI (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

8.9 Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

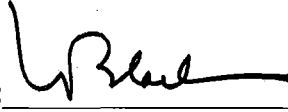
8.10 Attorneys’ Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount

payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

8.11 Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Agreement on the date set forth hereinabove.

CALBIOGAS SOUTH TULARE LLC

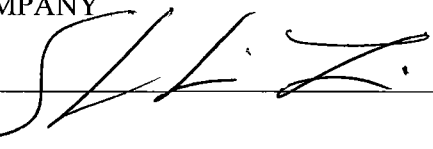
By:  \_\_\_\_\_

Printed Name: Neil Black

Title: President

Date: 02-28-19

SOUTHERN CALIFORNIA GAS  
COMPANY

By:  \_\_\_\_\_

Printed Name: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019

**EXHIBIT 1: SYSTEM MAP**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

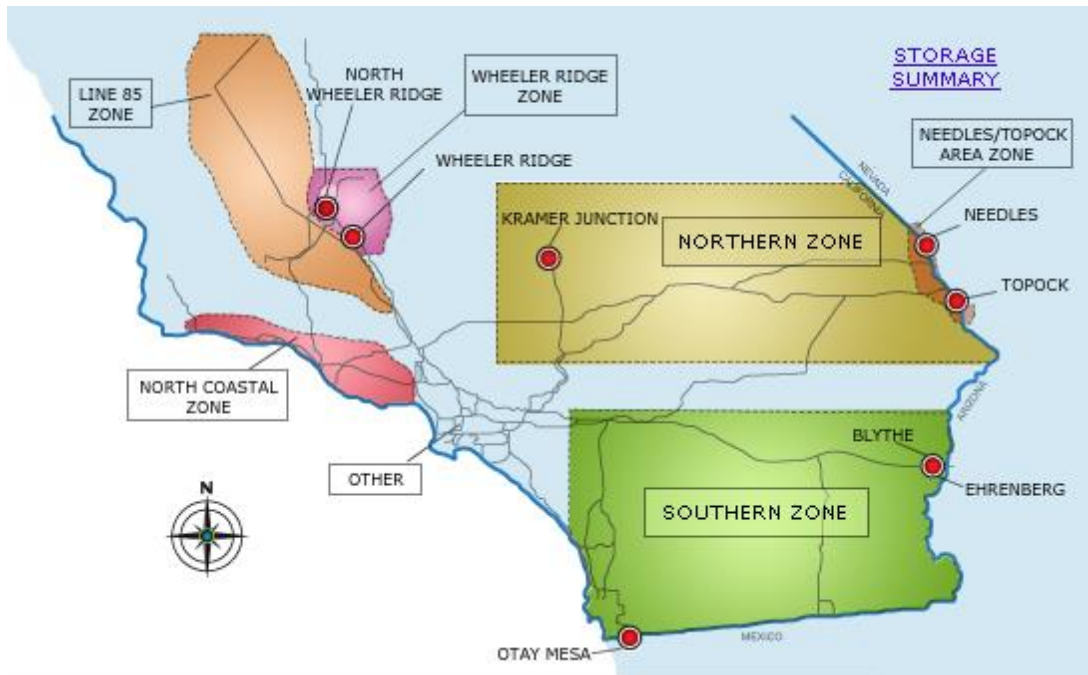
CalBioGas South Tulare LLC

and

Southern California Gas Company

Dated: February 26, 2019

The Interconnector Point is currently located within SoCalGas' Schedule G-BTS California Other Zone.



**EXHIBIT 2: SOCALGAS' FACILITIES**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

CalBioGas South Tulare LLC

and

Southern California Gas Company

Dated: February 26, 2019

See Exhibit B: Interconnection Point and SoCalGas' Facilities To The California Producer Interconnection Agreement between CalBioGas South Tulare LLC and Southern California Gas Company Dated: February 26, 2019.

**EXHIBIT 3: LOCATION**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

CalBioGas South Tulare LLC

and

Southern California Gas Company

Dated: February 26, 2019

<u>D-U-N-S® NUMBER</u>	<u>RECEIPT/ DELIVERY DESIGNATION</u>	<u>PROPRIETARY GAS TRANSACTION POINT CODE</u>	<u>DRN NO.</u>	<u>DESCRIPTION</u>
Tax ID:  <div style="background-color: black; width: 100px; height: 15px; margin: 5px auto;"></div>	Receipt	N/A	N/A	Interconnection between the facilities of CalBioGas South Tulare LLC and Southern California Gas Company located at County: Tulare; Section: 27; Township: T21S; Range R24E.

**CalBioGas South Tulare LLC**

Attachment D: SB 1383 Dairy Pilot Project Funding Agreement

**Southern California Gas Company**  
**SB 1383 DAIRY PILOT PROJECT FUNDING AGREEMENT**

CHECK HERE IF ADDITIONAL PAGES ARE ATTACHED

1. PROJECT OWNER

CalBioGas South Tulare LLC

3. UTILITY

Southern California Gas Company ("SoCalGas")

4. AGREEMENT NUMBER

SB1383-04

5. NAME, TELEPHONE, AND EMAIL ADDRESS FOR QUESTIONS REGARDING THIS AGREEMENT

Jim Lucas

213-244-3276

[jlucas@semprautilities.com](mailto:jlucas@semprautilities.com)

6. BRIEF DESCRIPTION OF PROJECT ("Project")

The CalBioGas South Tulare LLC project will initially capture biogas from eleven dairies, clean the dairy biogas to pipeline quality and inject the renewable natural gas into SoCalGas' pipeline system. The eleven dairies are: Aukeman Dairy, Bos Dairy, Dykstra Dairy, El Monte Dairy, Elk Creek Dairy, Horizon Jerseys Dairy, Rancho Teresita Dairy, Rib-Arrow Dairy, Ribeiro Dairy, Riverbend Dairy, and Scheenstra Dairy

7. AGREEMENT OUTLINE (*Include reason for Agreement and details*)

SB 1383 requires the California Public Utilities Commission (CPUC), in consultation with the California Air Resources Board (ARB) and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys, this project being one of them.

8. PAYMENT TERMS (*More than one may apply*).

See Schedule C

9. PROJECTED EXPENDITURES FOR REIMBURSEMENT (Lane 2 of Figure 1)

PROJECTED EXPENDITURES FOR REIMBURSEMENT (Lane 2 of Figure 1)	DESCRIPTION	ESTIMATED COST
Biogas Pre-Treatment Facilities	Pipeline facilities to condition, compress and/or meter the biogas at each dairy	██████████
Biogas Collection Lines	Pipeline facilities to move biogas from each dairy to the central biogas conditioning/upgrading facility	██████████

**AGREEMENT TOTAL (Not to Exceed)** ██████████



**Southern California Gas Company  
SB 1383 DAIRY PILOT PROJECT FUNDING AGREEMENT**

**SB 1383 DAIRY PILOT AGREEMENT  
SIGNATURE PAGE**

AGREEMENT NUMBER
SB1383-04

1. This Agreement is entered into between the Utility and the Project Owner named below:

UTILITY'S NAME

**Southern California Gas Company ("SoCalGas")**

PROJECT OWNER'S NAME

CalBioGas South Tulare LLC

2. This Agreement is effective upon execution by both parties and shall remain in effect for a primary term of twenty (20) years from the Commencement Date (as defined in the California Producer Interconnection Agreement for SB 1383 Dairy Pilot Project between the parties (the "CPIA")).

3. The maximum amount of this Agreement is [REDACTED]

4. The parties agree to comply with the terms and conditions of the following schedules and exhibits, which are by this reference made a part of the Agreement:

Schedule A – Project Information	Page 3
Schedule B – Terms and Conditions	Pages 4-10
Schedule C – Payment Provisions and Records Retention	Pages 11 to 12
Schedule D – Project Owner – Demonstration of Project Readiness	Pages 13 to 14
Schedule E – Project Owner Safety Action Plan	Pages 15 to 184
Exhibit 1 - Solicitation for SB 1383 Dairy Pilot Projects	Pages 185 to 220
Exhibit 2 – Confidentiality Agreement	Pages 221 to 225

**IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.**

**PROJECT OWNER**

PROJECT OWNER'S NAME (*Organization's Name*)

CalBioGas South Tulare LLC

BY (*Authorized Signature*)



DATE SIGNED (*Do not type*)

3/1/2019

PRINTED NAME AND TITLE OF PERSON SIGNING:

N. Ross Buckenham CEO

ADDRESS

[REDACTED]

**SOCALGAS**

UTILITY NAME

**SoCalGas**

BY (*Authorized Signature*)



DATE SIGNED (*Do not type*)

3/4/19

PRINTED NAME AND TITLE OF PERSON SIGNING

Sharon Tomkins, Vice President - Customer Solutions and Strategy

ADDRESS

555 W Fifth St, Los Angeles CA 90013

**SCHEDULE A**

**PROJECT INFORMATION**

1. SoCalGas shall provide SB 1383 Dairy Pilot Project incentives to the Project Owner as stated for the Project described herein
  
2. The Managers for this Agreement are:

<b>FOR SOCALGAS:</b>	<b>FOR PROJECT OWNER:</b>
Name: Jim Lucas Title: Market Development Manager Address: 555 W Fifth St, ML 19A4 City/Zip: Los Angeles CA, 90013 Phone: 213-244-3276 Email Address: <a href="mailto:jlucas@semprautilities.com">jlucas@semprautilities.com</a>	Name: N. Ross Buckenham Title: CEO Address: [REDACTED] City/Zip: [REDACTED] Phone: [REDACTED] Email Address: [REDACTED]
	Name: Neil Black Title: President Address: 324 S. Sante Fe, Suite B City/Zip: Visalia, CA 93292 Phone: [REDACTED] Email Address: [REDACTED]

3. The **Project and Administrative Contacts** for this Agreement are:

<b>FOR SOCALGAS:</b>	<b>FOR PROJECT OWNER:</b>
Name: Kelly Murillo Title: Project Manager Address: 555 W 5 <sup>th</sup> St, ML 19A4 City/Zip: Los Angeles, CA 90013 Phone: (213) 244-3786 Email Address: <a href="mailto:kmurillo@semprautilities.com">kmurillo@semprautilities.com</a>	Name: Jennifer Swartz Title: Controller and Contracts Manager Address: [REDACTED] City/Zip: [REDACTED] Phone: [REDACTED] Email Address: [REDACTED]

**SCHEDULE B**  
**TERMS AND CONDITIONS**

**1. General Description of Agreement**

**a. Background**

Senate Bill (SB) 1383 was signed by Governor Brown on September 19, 2016. One of the requirements of SB 1383 requires the California Public Utilities Commission (CPUC), in consultation with the California Air Resources Board (ARB) and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. SB 1383 also states that the Utilities may recover in rates the reasonable cost of pipeline infrastructure developed pursuant to the Pilot Projects.

On June 15, 2017, the CPUC issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework which directs the Utilities to implement the dairy biomethane pilot projects and allow for rate recovery of reasonable infrastructure costs pursuant to SB 1383.

On December 18, 2017, the CPUC issued Decision (D.)17-12-004 which establishes the necessary framework to direct Utilities to implement not less than five dairy biomethane pilot projects. Pursuant to D.17-12-004, the Selection Committee, made up of CPUC, ARB, and CDFA, issued a solicitation for the pilot projects.

On December 3, 2018, the Selection Committee issued a press release and announced funding for six pilot projects in the San Joaquin and Sacramento Valleys designed to demonstrate the collection of biomethane from dairy digesters and its injection into natural gas pipelines.

**b. Binding Agreement**

Subject to Subsection c. below, this Agreement is a legally binding contract. The parties named in this Agreement are bound by the terms set forth herein and otherwise incorporated herein by reference, and the parties are also bound by the legal and regulatory requirements set forth in D.17-12-004 and the Solicitation for SB 1383 Dairy Pilot Projects, which this Agreement is intended, in part, to effectuate.

**c. Regulatory Approval**

This Agreement is subject to the CPUC's regulatory process and must conform to all CPUC requirements, including but not limited to the requirements of D.17-12-004 and the Solicitation for SB 1383 Dairy Pilot Projects. In order to be binding upon SoCalGas, this Agreement must be filed and approved by the CPUC. This agreement at all times shall be subject to such modifications to this Agreement; the underlying program or Decision; or any related program, Decision or agreement as the CPUC may direct from time to time in the exercise of its jurisdiction.

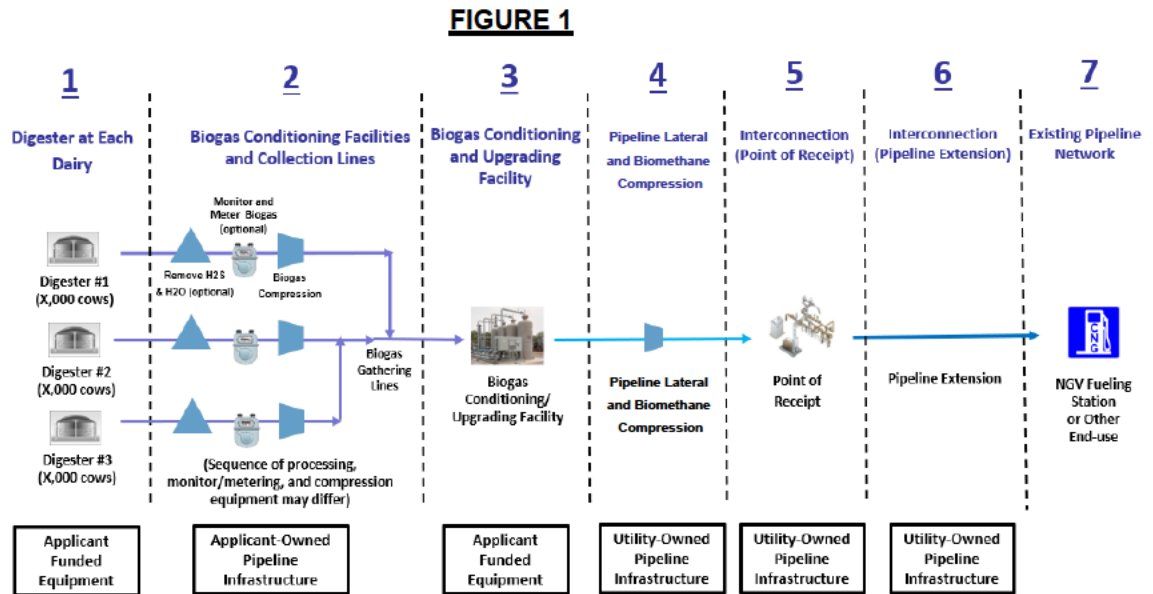
## 2. Representations

- a. Each person executing this Agreement for the respective party expressly represents and warrants that he or she is authorized to act as signatory for that party in the execution of this Agreement.
- b. Each party represents that: (a) it has the full power and authority to execute and deliver this Agreement and to perform its terms and conditions; (b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate entities; and (c) this Agreement constitutes such party's legal, valid and binding obligation, enforceable against such party in accordance with its terms.
- c. Each party shall (a) exercise all reasonable care, diligence, and good faith in the performance of its duties pursuant to this Agreement; and (b) carry out its duties in accordance with applicable federal, state, and local laws, regulations, tariffs, and ordinances and recognized professional standards in accordance with the requirements of this Agreement.

## 3. General Conditions and Requirements

- a. SoCalGas shall reimburse Project Owner only for allowable expenses for project design, construction or implementation activities in accordance with the: 1) D.17-12-004; 2) Solicitation for SB 1383 Dairy Pilot Projects and 3) Project Owner Application submitted on or before June 25, 2018 for the Project and only where all requirements set forth in this Agreement have been met, including but not limited to the following obligations of Project Owner:
  - i. Project Owner must adhere to ALL project conditions and requirements as stated in: 1) D.17-12-004; 2) the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1); and 3) Project Owner Application submitted on or before June 25, 2018 for the Project, as well as any other regulatory or other requirements set forth by the CPUC.
  - ii. Project Owner must ensure all project activities in Lanes 1-3 in Figure 1 below, including contractor/consultant activities, are compliant with applicable federal, state, and local laws, regulations, tariffs, and ordinances. Moreover, Project Owner is responsible for obtaining and maintaining all necessary permits, licenses, agreements, and approvals for the construction, operation and maintenance of facilities in Lanes 1-3 in Figure 1 below.
  - iii. Project Owner is responsible for the upfront costs associated with the facilities in Lane 2 in Figure 1 below. Project Owner may apply to SoCalGas for reimbursement of the allowable cost of such facilities to the extent consistent with D.17-02-004 and the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1), as well as any other regulatory requirements; provided, however, SoCalGas shall only be obligated to reimburse the Project Owner an amount not to exceed the lesser of (i) the amount that SoCalGas is authorized to recover from utility ratepayers or (ii) the Agreement Total.
  - iv. Project Owner must perform, or cause to be performed, all operation and maintenance costs for the facilities in Lanes 1-3 in Figure 1 below.
  - v. SoCalGas will manage all project activities in Lanes 4-6 in Figure 1 below and own/operate/fund the facilities for up to 20 years. The contractual terms for the facilities in Lanes 4-6 in Figure 1 below are contained in the CPIA.

1. Project Owner, at their cost, shall be responsible for all upfront and on-going costs to establish service and provide electrical power to SoCalGas owned equipment in Lanes 4-6 in Figure 1 below. The detailed scope of work for the electrical power is contained in the CPIA.



- vi. Project Owner must submit timely and accurate invoices and reports for Lane 2 during the project term with sufficient detail to distinguish costs for Lane 2 from the other Lanes in Figure 1 above.
- vii. Project Owner must maintain clear and consistent communication regarding project progress status throughout the project, particularly if problems or issues arise resulting in project delays. Upon discovery of problems and/or delays, Project Owner must notify SoCalGas within 3 business days of such problems and/or delays.
- viii. Project Owner must complete the Project on or before the Target Date (as defined below) for the Project. The Target Date is the date by which the Project must be connected to the SoCalGas pipeline and flowing renewable natural gas; such Target Date shall be [December 2, 2020] which is two years after December 3, 2018, the date on which Project Owner received notification by the Selection Committee of an awarded project. If the Project is not connected to the SoCalGas pipeline and flowing renewable natural gas on or before the Target Date, Project Owner must submit an extension request to the Selection Committee delineating project steps and expected online date.

#### 4. Safety Action Plan

Per the Solicitation for SB 1383 Dairy Pilot Projects, in Section 3 (Pilot Project Program Eligibility Requirements), Subpart 2, the Selection Committee states the following pertaining to safety for the pilot projects:

Compliance with the CPUC Strategic Directive on Safety: Under the CPUC Strategic Directive on Safety, the CPUC secures health and safety with a goal of achieving zero accidents and injuries. Within its jurisdictional authority, the CPUC focuses on safety policy, risk

management, safety assurance, and safety promotion. The CPUC adopts leading safety policies and standards to maximize safety in a cost-efficient manner above and beyond compliance. The CPUC continually identifies, assesses, mitigates, or eliminates the safety risk faced or posed. The CPUC assures that entities comply with the law and have sufficient resources to ensure the safety of the public, workers, and the environment. The CPUC supports efforts to assure that the public, workers and customers, are able to make informed choices and know how to respond to unsafe situations. The CPUC is committed to promoting and continuously improving safety culture.

No funding can be awarded for pipeline construction that carries hydrogen sulfide (H<sub>2</sub>S) at concentration levels detrimental to human health and safety. All projects must submit a safety action plan with initial processes and procedures drafted that indicate potential unsafe conditions and preliminary processes and procedures delineated to respond to each.

Project Owner must complete a Safety Action Plan and include such Safety Action Plan as Attachment E hereto. Failure to complete an accurate and appropriate Safety Action Plan in accordance with CPUC requirements will result in this Agreement not being eligible for submission to or approval by the CPUC.

## **5. Reporting**

Project Owner shall adhere to the reporting requirements as stated in Section 7.3 and Attachment B of the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1). The start date for the initial quarterly report will commence on the date the Project meets the 30 out of 40-day flow requirement as further described in Schedule C hereto. This will be considered day one of the initial reporting period. Project Owner shall submit all quarterly reports within 60 calendar days of the last day of the quarterly reporting period.

## **6. Project Readiness Demonstration**

Prior to SoCalGas incurring significant costs by the procurement of materials and constructing the facilities in Lanes 4-6 in Figure 1 above, Project Owner must demonstrate project readiness by providing proper documentation to show compliance with each of the requirements set forth in Schedule D.

## **7. Indemnification**

- a. Project Owner shall indemnify, defend and hold harmless SoCalGas, its officers, directors, agents, and employees, from and against all claims, demands, losses, damages, costs, expenses, and legal liability connected with or resulting from injury to or death of persons, including, but not limited to, employees of SoCalGas, Project Owner, any project contractor or subcontractor; injury to property of SoCalGas, Project Owner, or a third party, or to natural resources, or violation of any local, state or federal law or regulation, including, but not limited to, environmental laws or regulations, or strict liability imposed by any law or regulation; arising out of, related to, or in any way connected with Project Owner's performance of this Agreement, however caused, regardless of any strict liability or negligence of SoCalGas, whether active or passive, excepting only such claims, demands, losses, damages, costs, expenses, liability or violation

of law or regulation as may be caused by the active gross negligence or willful misconduct of SoCalGas, its officers, agents, or employees.

- b. Project Owner acknowledges that any claims, demands, losses, damages, costs, expenses, and legal liability that arise out of, result from, or are in any way connected with the release or spill of any legally designated hazardous material or waste as a result of the work performed for purposes of this Agreement are expressly within the scope of this indemnity, and that the costs, expenses, and legal liability for environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work, penalties, and fines arising from the violation of any local, state, or federal law or regulation, attorney's fees, disbursements, and other response costs are expressly within the scope of this indemnity.
- c. Project Owner shall, on SoCalGas' request, defend any action, claim or suit asserting a claim covered by this indemnity. Project Owner shall pay all costs that may be incurred by SoCalGas in enforcing this indemnity, including reasonable attorney's fees.

## 8. Notice

All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

Interconnector:

Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023

Mailing Address: CalBioGas South Tulare LLC  
c/o California Bioenergy LLC  
324 S. Santa Fe Street, Suite B  
Visalia, CA 93292  
Attn: Neil Black

Email Address:

██  
██

SoCalGas:

Mailing Address: Southern California Gas Company  
555 W Fifth St, ML 19A4  
Los Angeles, California 90013  
Attn: Jim Lucas

Email Address: [jlucas@semprautilities.com](mailto:jlucas@semprautilities.com), [marketdevelopment@semprautilities.com](mailto:marketdevelopment@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

## **9. Compliance with Laws and Regulations**

- a. During the performance of any work on the Project, Project Owner and its contractors and subcontractors, agents and employees shall fully comply with all applicable state and federal laws and with any and all applicable bylaws, rules, regulations and orders made or promulgated by any government, government agency or department, municipality, board, commission or other regulatory body; and shall provide all certificates for compliance therewith as may be required by such applicable laws, bylaws, rules, regulations, orders, stipulations or plans.
- b. Project Owner shall require any contractor or subcontractor performing work on the Project may be contracted to comply with provisions of this paragraph, and agrees to save and hold SoCalGas harmless from any and all penalties, actions, causes of action, damages, claims and demands whatsoever arising out of or occasioned by failure of Project Owner and/or a contractor or a subcontractor to make full and proper compliance with said bylaws, rules, regulations, laws, orders, stipulations or plans.

## **10. Governing Law**

This Agreement shall be deemed to be a contract made under laws of the State of California and for all purposes shall be construed in accordance with the laws of said state.

## **11. Entire Agreement**

This Agreement, the CPIA, the California Producer Interconnect Collectable System Upgrade Agreement, the California Producer Operational Balancing Agreement and the Confidentiality Agreement between the parties (the "Project Agreements") consist of the entire agreement between the parties on the subject matter hereof and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one of more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

## **12. Enforceability**

If any provision of this Agreement, or the Project Agreement, is to any extent held invalid or unenforceable, the remainder of this Agreement, other than those provisions which have been held invalid or unenforceable, shall not be affected and shall continue in full force and effect and shall be enforceable to the fullest extent permitted by law or in equity.

## **13. Force Majeure**

In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice,



so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. In the event of a delay caused by a force majeure event, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

#### **14. Not a Joint Venture**

Unless specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership or joint venture or to impose a trust or partnership duty, obligation, or liability on or with regard to either party. Each party shall be liable individually and severally for its own obligations under this Agreement.

#### **15. Publicity**

Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

## SCHEDULE C

### PAYMENT PROVISIONS AND RECORD RETENTION

#### 1. Invoicing and Payment for Project Owner Owned Pipeline Infrastructure

- A. SoCalGas shall only be obligated to reimburse Project Owner for allowable expenses for project design, construction or implementation activities in accordance with the: 1) D.17-12-004, 2) Solicitation for SB 1383 Dairy Pilot Projects, and 3) Project Owner Application submitted on or before June 25, 2018 for the Project and any other applicable legal or regulatory requirements.
- B. In the event Project Owner has a dispute with respect to reimbursement by SoCalGas of allowable expenses, the Project Owner shall send a Notice of Dispute to SoCalGas within ten (10) calendar days of SoCalGas' denial of reimbursement of the full amount requested by the Project Owner. The Notice of Dispute must identify the name of the pilot project, set forth the basis for the dispute and provide supporting documentation. After sending Notice of Dispute, Project Owner shall continue to perform all of its obligations and responsibilities under this Agreement; in the event that Project Owner does not perform in accordance with this Agreement, SoCalGas shall have the right to suspend its performance under the Agreement and the related Project Agreements, including but not limited to, any payment and reimbursement obligations.
- C. Invoices for Project Owner Owned Infrastructure shall be submitted in accordance with the following milestone payment structure:
- **Milestone Payment 1:** When the Project spends 35% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure, Project Owner may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
  - **Milestone Payment 2:** When the Project project spends 70% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure, Project Owner may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
  - **Milestone Payment 3:** Reimbursement payment up to 15% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure will be provided to Project Owner after meeting the 30 out of 40 days flow requirement for the Pilot Project Capacity (as defined in CPIA) as follows:

Project Owner must produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of SoCalGas' meter. Project Owner must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Project Owner is unable to produce flow because of an interruption of delivery as set forth in SoCalGas Tariff Rule No. 23. Project Owner may elect to restart the 40 day

testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.

Once the 30 out of 40 days flow requirement is met, the Project Owner must provide SoCalGas with detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed 15% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 4:** The final reimbursement payment of up to 15% of the Agreement Total amount for the Project Owner Owned Pipeline Infrastructure will be provided to Project Owner after meeting the forecasted renewable natural gas production volume of one-thousand six hundred two (1,602) MScfD. Once this requirement is met, the Project Owner must provide detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the Agreement Total amount for Project Owner Owned Pipeline Infrastructure to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s). The final reimbursement payment will be available for 2 years, starting from the date the 30 out of 40 days flow requirement is met.

- D. **Withdrawal:** If Project Owner withdraws from the pilot and SoCalGas has incurred any costs, including reasonable costs related to termination of the Project, related to the Project and/or has made any payments pursuant to any of the Project Agreements, the Project Owner must reimburse SoCalGas for such costs and return any payments received.
- E. **Payment:** SoCalGas shall make payment Net 45 Days after receipt and approval of an undisputed invoice in accordance with the Milestones provided in Section C above. Project Owner shall work with SoCalGas to be set-up as a vendor in SoCalGas' accounts payable system and complete the required paperwork to receive automated clearing house (ACH) payments.
- F. **Record Retention**  
Project Owner shall maintain receipts and records for a minimum of five (5) years from December 3, 2018 and make all receipts and records available for inspection and audit upon the request of the Selection Committee, SoCalGas, or any of their designees. SoCalGas is required to submit reimbursement summaries to the Selection Committee and shall make all receipts reviewable by the Selection Committee available upon request.
- G. **Audits**  
The Selection Committee and/or SoCalGas reserves the right to conduct a Financial Audit and/or Critical Project Review upon reasonable notice at any time during the term of this Agreement.

## SCHEDULE D

### PROJECT OWNER - DEMONSTRATION OF PROJECT READINESS

#### CHECKLIST

<b>COMMERCIAL</b>	
<input type="checkbox"/>	Project Funding Matrix (Executed)
	<ul style="list-style-type: none"> <li>Provided actual executed agreements with all investors</li> <li>Provide actual executed loan agreements from all lenders</li> <li>Updated Project Budget, including incorporation of the EPC definitive cost estimate, is within approved funding levels</li> </ul>
<input type="checkbox"/>	Project Materials Supply Agreements Matrix
	<ul style="list-style-type: none"> <li>All feedstock (manure) supply agreements in place with each dairy with sufficient volume to support operations at full capacity</li> <li>All chemical or catalyst supply agreements are in place with sufficient volume to support operations at full capacity</li> </ul>
<input type="checkbox"/>	Project Product Off-take Agreements Matrix
	<ul style="list-style-type: none"> <li>Identify primary partners/clients and projected RNG off-take volumes</li> </ul>
<b>SITE</b>	
<input type="checkbox"/>	Civil Works and Site Plans Stamped by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>Geotechnical evaluations – subsurface conditions accounted for in design and construction cost estimate</li> <li>ALTA (American Land Title Association) Surveys</li> </ul>
<input type="checkbox"/>	Encroachment Permit List/Right of Way Agreements Matrix
	<ul style="list-style-type: none"> <li>Interconnections (utilities, feedstock, product transportation) have been planned and mutually agreed upon by all associated parties (utility suppliers, feedstock providers, biogas to conditioning/sweetening system(s), etc.)</li> <li>Identify which permits have been approved and agreements executed and indicate expected dates of completions for those still pending</li> </ul>
<input type="checkbox"/>	Site lease and/or purchase agreements executed for each location
<b>PROJECT</b>	
<input type="checkbox"/>	Project Execution Plan
<input type="checkbox"/>	Long Lead-time/Critical Equipment Issued Purchase Orders and Down Payments
<input type="checkbox"/>	Operations and Maintenance (O&M) Plan
	<ul style="list-style-type: none"> <li>Overall approach strategy (3<sup>rd</sup> party service provider, self-perform, etc.)</li> <li>Training and Staffing Plan</li> <li>Spare parts plan</li> <li>O&amp;M agreement with service provider(s)</li> </ul>
<b>TECHNOLOGY</b>	
<input type="checkbox"/>	Front End Engineering Design (FEED) Issued by Licensed Professional Engineer

	<ul style="list-style-type: none"> <li>• Process design complete for complete operations at full capacity, including digesters and conditioning/sweetening systems at each dairy, gathering lines, and upgrading plant <ul style="list-style-type: none"> <li>– Process and utility equipment specifications</li> <li>– Process flow diagrams (PFDs) and piping &amp; instrument diagrams (P&amp;IDs)</li> <li>– Mass and energy balance for overall process and each site and system/subsystem</li> <li>– Utility and balance-of-plant support requirements</li> </ul> </li> </ul>
<input type="checkbox"/>	Technical license agreements have been executed and all related fees and royalties are accounted for in capital and operating cost models
<b>ENVIRONMENTAL/REGULATORY</b>	
<input type="checkbox"/>	Project Permit List Matrix (with application status, durations, contacts, costs)
<input type="checkbox"/>	California Environmental Quality Act (CEQA) Determinations Report
	<ul style="list-style-type: none"> <li>• Environmental permit requirements under California Environmental Quality Act (CEQA) and other applicable guidelines and standards as well as local, State and Federal laws are fully identified</li> <li>• Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A of Exhibit 1)</li> </ul>
<input type="checkbox"/>	County Planning Approvals
<input type="checkbox"/>	California Air Resource Board Approvals
<input type="checkbox"/>	California State Water Resources Control Board Approvals
<input type="checkbox"/>	Office of the State Fire Marshal Approvals
<b>CONSTRUCTION</b>	
<input type="checkbox"/>	EPC or Contractor Executed Agreement(s)
	<ul style="list-style-type: none"> <li>• Scope of work</li> <li>• Performance and schedule guarantees</li> <li>• Warranties</li> <li>• Acceptance criteria</li> <li>• Testing criteria</li> <li>• Liquidated damages</li> <li>• Startup/Commissioning</li> </ul>
<input type="checkbox"/>	Baseline Project Schedule





































































































































































































































































































































































































*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*

*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*

*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*

**SOLICITATION  
FOR  
SB 1383 DAIRY PILOT PROJECTS**

**By  
Selection Committee**

**Thanks to:**

**PACIFIC GAS & ELECTRIC COMPANY**

**SAN DIEGO GAS & ELECTRIC®**

**SOCALGAS®**

**SOUTHWEST GAS CORPORATION**

**For your continued support of these projects.**

**March 7, 2018**

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# CHAPTER 1 – Overview and Protocol

## 1.0 Solicitation Objective

On December 18, 2017, the California Public Utilities Commission (CPUC) issued Decision (D.)17-12-004 which establishes the necessary framework to direct natural gas corporations (“Utility” or “Utilities”) to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system and allow for rate recovery of reasonable infrastructure costs pursuant to Senate Bill (SB) 1383. Participating Utilities are SoCalGas®, Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric® (SDG&E) and Southwest Gas Corporation (Southwest Gas). The objective of this Dairy Pilot Solicitation (Solicitation) is for the Selection Committee to select and award at least five (5) dairy biomethane Pilot Projects that are financially sustainable in the long-term to ensure these investments provide the expected environmental benefits to ratepayers and the State of California.

## 2.0 SB 1383 Background

SB 1383 was signed by Governor Brown on September 19, 2016 and requires the California Air Resources Board (ARB) to approve and begin implementing a comprehensive strategy to reduce emissions of short-lived climate pollutants to achieve a reduction in methane by 40%, hydrofluorocarbon gases by 40%, and anthropogenic black carbon by 50% below 2013 levels by 2030. One of the requirements of SB 1383 requires the CPUC, in consultation with ARB and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system. SB 1383 also states for the purposes of these Pilot Projects Utilities may recover in rates the reasonable cost of Pipeline Infrastructure developed pursuant to the Pilot Projects.

On June 15, 2017, the CPUC issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework which directs the Utilities to implement the dairy biomethane Pilot Projects and allow for rate recovery of reasonable infrastructure costs pursuant to SB 1383. The proposed implementation framework covers four general categories: Pilot Project selection; definition of infrastructure; cost recovery framework; and data gathering. Interested parties were able to comment on the proposed framework consistent with the schedule and procedure described in the Rulemaking and on the scope, the schedule, and other procedural matters.

On December 18, 2017, the CPUC issued Decision D.17-12-004 which establishes the necessary framework to direct Utilities to implement not less than five dairy biomethane Pilot Projects. D.17-12-004 also directs the Utilities to issue a draft Solicitation for the Pilot Projects no later than January 18, 2018. The Selection Committee, made up of CPUC, ARB, and CDFA, controls the terms of the Solicitation and selects the Pilot Projects to move forward to contract with Utilities.

### 3.0 Pilot Project Program Eligibility Requirements

1. The Pilot Projects must utilize biomethane from California dairy operations and result in permanent, annual, and quantifiable Greenhouse Gas (GHG) emission reductions. A dairy operation is defined as an entity that operates a dairy herd, which produces milk, cream, or cheese commercially, and/or whose bulk milk or bulk cream is received or handled by any distributor, manufacturer, or any nonprofit cooperative association of dairy producers.
2. Compliance with the CPUC Strategic Directive on Safety: Under the CPUC Strategic Directive on Safety, the CPUC secures health and safety with a goal of achieving zero accidents and injuries. Within its jurisdictional authority, the CPUC focuses on safety policy, risk management, safety assurance, and safety promotion. The CPUC adopts leading safety policies and standards to maximize safety in a cost efficient manner above and beyond compliance. The CPUC continually identifies, assesses, mitigates, or eliminates the safety risk faced or posed. The CPUC assures that entities comply with the law and have sufficient resources to ensure the safety of the public, workers, and the environment. The CPUC supports efforts to assure that the public, workers and customers, are able to make informed choices and know how to respond to unsafe situations. The CPUC is committed to promoting and continuously improving safety culture.<sup>1</sup>

No funding can be awarded for pipeline construction that carries hydrogen sulfide (H<sub>2</sub>S) at concentration levels detrimental to human health and safety. All projects must submit a safety action plan with initial processes and procedures drafted that indicate potential unsafe conditions and preliminary processes and procedures delineated to respond to each.<sup>2</sup>

3. Existing dairy operations and developers who have a written commitment from a dairy operation are eligible for the Pilot Projects. At least 80% or more dry weight must be manure from dairy livestock.
4. A group of dairy operations can submit one Application to develop centralized dairy digesters, known as a “cluster” or “hub and spoke” project and describe the phased-approached or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The phased-approached cluster project must include a signed lease and feedstock agreement, not just a letter of interest or future addition. The appropriate location of the centralized biogas conditioning/upgrading facility can be determined by participating dairy operations.

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<sup>1</sup>[http://www.cpuc.ca.gov/uploadedFiles/CPUC\\_Public\\_Website/Content/Transparency/Strategic\\_Planning\\_Initiative/Strategic\\_Directives\\_and\\_Governance\\_Policies\\_Revised\\_August%2010,2017.pdf](http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Transparency/Strategic_Planning_Initiative/Strategic_Directives_and_Governance_Policies_Revised_August%2010,2017.pdf)

<sup>2</sup> <https://www.osha.gov/SLTC/hydrogensulfide/hazards.html>

5. To be considered in the selection process, Applicants are required to meet and agree with the following requirements:
  - a. Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A)
  - b. Quantify expected GHG Emissions Reduction
    1. Applicants are required to use the quantification methodology titled “Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Dairy Digester Research and Development Program (DDRDP) Fiscal Year 2017-18” and associated DDRDP GHG Emission Reduction Calculator Tool (ARB GHG Reduction Calculator) developed by ARB. The quantification methodology and tool are available on ARB’s website at <http://www.arb.ca.gov/cqi-quantification>.
  - c. Biomethane produced by the Pilot Project must be used in California
  - d. Report parameters and participate in evaluation (See Section 7.3 and Attachment B)

These requirements allow for compliant operation of facilities under multi-level permitting regimes while ensuring protection of the environment, including reduced methane and criteria pollutant emissions. These terms are non-negotiable.

## 4.0 Dairy Pilot Project Components and Funding

A dairy cluster project consists of various components to move the biogas from each individual dairy to the Utility pipeline. Figure 1<sup>3</sup> illustrates and defines several components of a typical dairy Pilot Project that will be connected to a Utility pipeline.

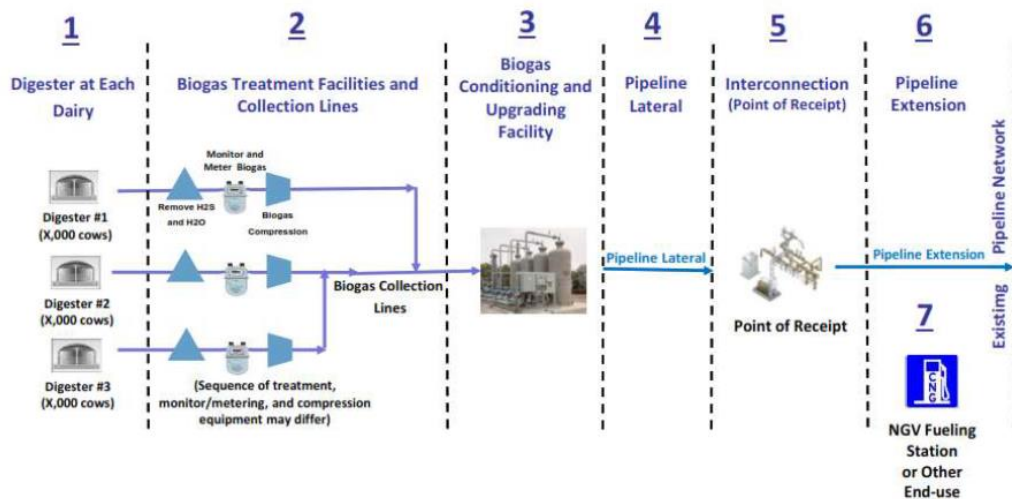


Figure 1: Dairy Biomethane Pilot Primary Components

<sup>3</sup> Figure 1 is from (D.)17-12-004, page 16

For the SB 1383 dairy Pilot Projects, the costs of digesters (Lane 1 of Figure 1), biogas conditioning and upgrading facility (Lane 3 of Figure 1) and NGV fueling station or other end-use (Lane 7 of Figure 1) are **not considered Pipeline Infrastructure** and are **not eligible for funding** from the Utilities.<sup>4</sup>

Biogas from livestock operations that do not directly produce dairy products (“non-dairy”), such as heifer operations, will be allowed to be injected into Pipeline Infrastructure. However, biogas treatment facilities at non-dairy livestock operations and collection lines connecting those non-dairy livestock operations to Pipeline Infrastructure, **are not considered Pipeline Infrastructure**, and **are not eligible for funding** from the Utilities in this Solicitation.

The following Pipeline Infrastructure components **are eligible for funding**:

- a) Biogas collection lines and facilities for treatment of biogas before it enters the collection lines (Lane 2 of Figure 1) – owned and operated by Applicant;
- b) Pipeline lateral and compression that delivers biogas from a biogas conditioning facility to the point of receipt (Lane 4 of Figure 1) – owned and operated by the Utility;
- c) Point of receipt, where the utility receives gas that has been upgraded at a biogas conditioning/upgrading facility (Lane 5 of Figure 1) – owned and operated by the Utility;
- d) Pipeline extension that delivers biogas to the Utility’s existing gas pipeline system (Lane 6 of Figure 1) – owned and operated by the Utility;

If a Pilot Project includes both delivery of biomethane to an onsite electric generator (e.g., combustion turbine, reciprocating internal combustion engine, microturbine or fuel cell) and injection of biomethane into the Utility pipeline, the Pipeline Infrastructure costs that are eligible for funding shall be reduced by the percentage of the biomethane that is delivered to an onsite electric generator, rather than injected into the Utility pipeline. This reimbursement reduction will not apply if the pipeline infrastructure is sized to an appropriate capacity for the amount of biomethane proposed for pipeline injection in the project’s application. This reimbursement reduction will apply if the pipeline infrastructure is sized to include an amount of biomethane that is dedicated for use in an onsite electric generator at the time of the project’s application.

If a Pilot Project obtains feedstock from non-dairy livestock operations, such as heifer operations, and directs biogas from that feedstock into Pipeline Infrastructure that is eligible for funding from the Utilities under Section 4.1 of this Final Solicitation, the Pilot Project is solely responsible for the costs of the biogas treatment facilities and collection lines from those “non-dairy” livestock operations. The Pilot Project is also solely responsible for the incremental cost increase to Pipeline Infrastructure caused by adding “non-dairy” livestock feedstock into Pipeline Infrastructure. An Applicant must include detailed information about this arrangement in the relevant portions of its application such as the general information located in Chapter 1, section 5.5.1 of this Final Solicitation, and the Dairy Waste-to-Biomethane Business Model in

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<sup>4</sup> There are other potential sources of funding for these facilities, such as the CDFR Dairy Digester Grant Program and as stated in (D.)17-12-004, SoCalGas’ biogas conditioning and upgrading services tariff

Chapter 2, section 2.0 of this Final Solicitation.<sup>5</sup> If a Pilot Project decides to add such “non-dairy” livestock feedstock to its project after it is selected as a Pilot Project, the Pilot Project must alert the appropriate Utility and CPUC of that decision and include detailed information about this project addition as requested by the Utility and CPUC. The Applicant (or the Pilot Project) must itemize the incremental cost added to Pipeline Infrastructure by injecting the “non-dairy” livestock biogas into Pipeline Infrastructure for purposes of ensuring appropriate cost reimbursement.

#### **4.1 Applicant Ownership of Pipeline Infrastructure**

Applicant shall own, operate, and maintain in accordance with applicable safety regulations, the biogas collection lines and any biogas treatment or conditioning equipment (Lane 2) to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines. Applicant owned and operated gas gathering lines are regulated under California Code of Regulations (CCR) Title 8 Industry Safety Regulations.<sup>6</sup> The upfront costs<sup>7</sup> associated with the biogas collection lines and treatment equipment will be recovered from utility ratepayers and provided as a reimbursement to the Applicant. To ensure only reasonable and verified costs of Pipeline Infrastructure developed pursuant to the dairy Pilot Projects are collected from ratepayers, Applicant-owned Pipeline Infrastructure costs will be recorded in a Utility balancing account and costs above the bid amount will be subject to reasonableness review by the CPUC.<sup>8</sup> Selected Pilot Projects should keep detailed project and cost information, and be prepared to provide this information should a reasonableness review be necessary.

Applicant may pursue an operation and maintenance contract with an Investor Owned Utility or third party for the Applicant-owned biogas treatment facilities and collection lines so long as contract terms are known, clear, cost effective, and result in increased safety.

#### **4.2 Utility Ownership of Pipeline Infrastructure**

Utilities will own and operate all facilities downstream of the biogas conditioning and upgrading facilities (Lanes 4, 5 and 6), including pipeline lateral and compression from such facilities to the point of receipt and any pipeline extensions. These facilities are also referred to as Utility-Owned Pipeline Infrastructure. Utility owned and operated pipeline facilities are regulated in accordance with PHSMA guidelines, 49 CFR Part 192 and GO 112-F.<sup>9</sup>

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<sup>5</sup> E.g., location of the non-dairy livestock operation, location of the interconnection of the non-dairy livestock biogas with the Pipeline Infrastructure, and methane reductions generated from the non-dairy livestock biogas.

<sup>6</sup> D.17-12-004, COL 4 (page 21)

<sup>7</sup> Excluding any operation and maintenance costs

<sup>8</sup> The bid amount refers to the estimates provided in an Application for Applicant-Owned Pipeline Infrastructure

<sup>9</sup> D.17-12-004, COL 4 (page 21)

## 5.0 How to Participate in the Solicitation

### 5.1 Schedule

The following is a schedule of planned milestones. This schedule is subject to change by the Selection Committee as required:

1. On **January 18, 2018**, SoCalGas will issue a draft joint utility Solicitation.
2. On **January 31, 2018**, SoCalGas will hold a bidder Workshop/Webinar to explain the Solicitation process, gather inputs to clarify the Solicitation process, and to answer questions. Energy Division and ARB staff will participate in the Workshop/Webinar to provide agency perspective.
3. By **February 5, 2018**, interested parties to file Comments to the draft Solicitation (refer to Section 5.3).
4. By **February 12, 2018**, interested parties to file Reply Comments to the draft Solicitation (refer to Section 5.3).
5. On **February 15, 2018**, SoCalGas shall make modifications deemed necessary and submit the revised draft joint utility Solicitation to the Selection Committee at [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) for review and approval. In the submittal, SoCalGas shall provide a short summary of bidders' input on the draft Solicitation and explain the reasons for adopting, modifying, or rejecting bidders' input.
6. On **March 7, 2018**, the Selection Committee will issue the final Solicitation to the market.
7. By **March 17, 2018**, Applicants must submit a request for the Utilities to perform a SB 1383 dairy pilot-specific "Pipeline Infrastructure Scoping and Cost Estimation," providing necessary data such as digester locations and characteristics of biomethane (volume, temperature, pressure, constituents, etc.).<sup>10</sup> A request should be made to the Utility where the proposed Pilot Project is located. As part of this Pipeline Infrastructure Scoping and Cost Estimation, the Utilities will perform the initial desktop engineering studies necessary to assess common-carrier natural gas pipeline offtake capacity, and provide a preliminary design and cost estimates of Utility-owned Pipeline Infrastructure. These costs will primarily be assessed from the engineering office and will not represent a fully-vetted, firm cost estimate. The results of this engineering study will be shared with each Applicant within 45 days of the Applicant's request. After receiving the engineering and cost estimate, the Applicants shall have 15 days to submit changes to its project description. If any changes are made, the Utilities will have another 15 days to provide a final Pipeline Infrastructure Scoping and Cost Estimation.
8. By **June 25, 2018**, Applicants will electronically submit an Application for their proposed dairy Pilot Project(s) to [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) and to the Utilities in their respective service

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<sup>10</sup> The Pipeline Infrastructure Scoping and Cost Estimation is paid for by the Utility.

- territories (use email addresses listed in Chapter 1, Section 5.6) within 110 days following the issuing of the final Solicitation. The Pipeline Infrastructure Scoping and Cost Estimation should include two references to actual historical or current competitive cost data for similar work. The CPUC will evaluate cost estimations (both Utility-Owned Pipeline Infrastructure and Applicant-Owned Pipeline Infrastructure). The Selection Committee and/or independent auditors will evaluate and verify project benefits. The Selection Committee has the discretion to modify the cost estimation (both Applicant and Utility-Owned Pipeline Infrastructure) and GHG Reduction value used as an input for Financial Plan/Soundness (Chapter 2, Section 3.0) and GHG Reduction and Cost Effectiveness (Chapter 2, Section 4.0). Estimated cost documentation provided shall be itemized, such that the CPUC can understand the exact breakdown of labor, operations and maintenance, and capital expenditures for each job activity and each installed piece of equipment.
9. The Selection Committee will choose a short list of Pilot Projects (First Shortlist) based on the selection criteria and submit it to the Utilities to review and refine the Utility-Owned Pipeline Infrastructure cost estimates, including researching land acquisition, site development, right-of-way, metering, gas quality, compression requirements, permitting, regulatory, environmental, unusual construction, operating and maintenance costs.
  10. Within 30 days of receiving the Pilot Project shortlist from the Selection Committee, Utilities will provide refined cost estimates to the Selection Committee that includes reference to actual historical or current competitive cost data for similar work.
  11. Once the refined cost estimates are reviewed, the Selection Committee will submit to the Utilities a narrowed-down selection of at least five projects (Second Shortlist).
  12. Within 30 days of the selection of the final Pilot Projects, Utilities will complete a final Utility-Owned Pipeline Infrastructure cost estimate of projected revenue requirement, including a description of all costs of construction, development of complete engineering construction drawings, preparation of all construction and environmental permit applications and right-of-way acquisition requirements. Reference to actual historical or current competitive cost data for similar work should be included.
  13. With the final Utility-Owned Pipeline Infrastructure cost estimate, the Selection Committee will review and select at least five Pilot Projects based on the Selection Criteria. The Selection Committee has the discretion to choose dairy Pilot Projects that are not the highest scoring to ensure that dairy Pilot Projects are selected in a variety of geographic locations and are developed by at least two or more developers in order achieve project diversity. If there is no consensus within the Selection Committee, the CPUC will make the final selection.
  14. The Selection Committee will inform the Utilities of the selected Pilot Projects, and within 10 days of award, the Utilities will each file a Tier 2 Advice Letter to open a balancing account to record expenditures for biogas collection lines, and a memorandum account to record capital for point of receipts and pipeline extensions.

15. Within 30 days of the date the Selection Committee notifies the Utilities of the selected Pilot Projects, the Utilities will file a Tier 2 Advice Letter seeking approval of the contracts with the dairy Pilot Projects.
16. The Utilities will manage and implement the Pipeline Infrastructure portion of the Pilot Projects in their respective service territories.
17. The Utilities must work with the awarded Applicants to establish a construction plan for necessary Utility-owned Pipeline Infrastructure. The Utilities must pay for and construct the portion of a Pilot Project that is defined as Utility-owned Pipeline Infrastructure.

## 5.2 Applicants Workshop

The Utilities will conduct a workshop/webinar on the SB 1383 Solicitation process on January 31, 2018. All interested Applicants are encouraged to participate in the workshop and details are below:

California Department of Food and Agriculture, Room 101  
 2800 Gateway Oaks Dr,  
 Sacramento, CA 95833

January 31, 2018

1:00 p.m. to 3:00 p.m.

Webinar and call-in information will be posted to the CPUC’s website:

[http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/)

## 5.3 Comments and Reply Comments to the Joint Utility Draft Solicitation

Table 1 provides the schedule for interested parties to file Comments and Reply Comments to the joint utility draft Solicitation. Comments and Reply Comments shall be submitted to the (D.)17-12-004 service list. Comments and Reply Comments will be posted to the CPUC’s website at [http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/).

Comments Due By:	Reply Comments Due By:
February 5, 2018 by 5:00 p.m.	February 12, 2018 by 5:00 p.m.

**TABLE 1: Note: All times listed above are Pacific Standard Time (PST)**

## 5.4 Questions and Answers to the Final Solicitation

Questions pertaining to the final Solicitation issued by the Selection Committee should be submitted to [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov). Responses to all questions received will be posted to the CPUC’s website at [http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/).

To maintain the integrity of the competitive grant process, the Selection Committee is unable to advise and/or provide individuals with any information except through the process identified above.



## 5.5 Applicant Request for the Utility to Complete a Pipeline Infrastructure Scoping and Cost Estimation

As stated in Step 7 of Chapter 1, Section 5.1, the Applicant is required to submit a Pipeline Infrastructure Scoping and Cost Estimation by March 17<sup>th</sup>, 2018 to the Utility where the proposed dairy Pilot Project is located. The following information is to be submitted to each Utility:

### 5.5.1 General Information to be Provided by Applicant to Utility for Each Project

Provide a map that provides a project overview including:

1. The dairies where the Applicant has an agreement for the feedstock
2. The dairies where the Applicant does not have an agreement for the feedstock but could be added at a future time
3. The location of the dairy digesters: existing, under development, and planned
4. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas conditioning and upgrading facility
5. Location of the central biogas conditioning and upgrading facility
6. Location(s) of the proposed Utility point of receipt
7. Location(s) of the Utility pipeline extension
8. Identify public right-of-way and private right-of-way for each component

### 5.5.2 Utility Specific Information to be Provided by Applicant to Utility for Each Project

Applicant to complete the Utility form where the proposed project is located:

1. **SoCalGas and SDG&E** – Gas Supplier Interconnection Fact Sheet  
<https://www.socalgas.com/1443740708188/gas-supplier-interconnection-factsheet.pdf>
2. **PG&E** – Request for Gas Supply Interconnection  
[https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/interconnection-renewables/interconnections-renewables/request-for-gas-supply-interconnection.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/interconnection-renewables/interconnections-renewables/request-for-gas-supply-interconnection.pdf)
3. **Southwest Gas** – To be included in the Final Solicitation

## 5.6 How to Apply

Applicants are requested to submit an electronic version of their Application in **PDF format** to the Selection Committee at [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) and to the Utilities within their respective

services territories. For SoCalGas and SDG&E, the email address is [SB1383Pilots@semprautilities.com](mailto:SB1383Pilots@semprautilities.com). For PG&E, the email address is [biomethane@pge.com](mailto:biomethane@pge.com). For Southwest Gas, the email address is [KeyAccountManagement@swgas.com](mailto:KeyAccountManagement@swgas.com). Chapter 2 of this Solicitation provides the required documentation for submitting an Application. Applications are due no later than June 25<sup>th</sup>, 2018 at 5:00 p.m. Applications received after this time **will not be accepted.**

## 6.0 Selection Criteria

A Selection Committee comprised of the CPUC as the lead agency, in consultation with ARB and CDEA will determine which dairy biomethane Pilot Project proposals are accepted for inclusion in the dairy Pilot Projects. Applicants shall submit a response that includes a detailed description of the proposed Pilot Project, its operational goals and objectives. The score will be based on the criterion chart below:

Scoring Criteria	Maximum Points
Dairy Waste-to-Biomethane Business Model <ul style="list-style-type: none"> <li>• Dairy Operation</li> <li>• Technology Plan</li> <li>• Marketing Plan</li> <li>• Scalability</li> </ul>	20
Financial Plan/Soundness	15
Greenhouse Gas Reduction and Cost Effectiveness	25
Environmental Benefits	15
Disadvantaged Communities	10
Project Readiness and Implementation	15

Pilot Project Applications will be evaluated and verified by the Selection Committee and/or independent auditors.

Pilot Projects with the five highest scores will be chosen for participation. However, the Selection Committee has the discretion to choose Pilot Projects that are not the highest scoring to ensure that Pilot Projects are selected in a variety of geographic locations and are developed by at least two or more developers to achieve project diversity. In the event of multiple Pilot Projects with identical scores as the fifth-highest, the CPUC representative on the Selection Committee has the discretion to authorize more than five Pilot Projects. The Pilot Projects selected are required to participate in a dairy biomethane evaluation study and to report specified data to the Selection Committee and the California Energy Commission (CEC) on an annual basis.

The Selection Committee may send project applicants written questions about their projects and applications and expect to receive written responses in 10 days.

Depending on the results of this solicitation, the Selection Committee can put forth a future solicitation at its discretion in order to comply with the terms of SB 1383.

## **7.0 Requirements for Selected Pilot Projects**

### **7.1 Agreement/Contracts**

Applicants with Selected Pilot Projects will receive a SB 1383 Agreement package with specific instructions regarding award requirements. Once the agreement(s) are executed, Selected Pilot Projects can begin implementation of the project. Selected Pilot Projects are responsible for the overall management of their awarded project to ensure all project activities are completed. It is required that selected projects will comply with the terms of their application for five (5) years from the date that the project receives Milestone Payment 3.

The target date for Selected Pilot Projects to be connected to the Utility pipeline and flowing renewable natural gas is two years after the Applicant has received notification by the Selection Committee of a successful Application. If the proposed project is not online in two years from the date of selection, the applicant must submit an Extension Request to the Selection Committee delineating project steps and expected online date.

### **7.2 Demonstrate CEQA Compliance**

Selected Pilot Projects must demonstrate substantial compliance with CEQA and all applicable permits within six months of receiving notification from the Selection Committee of a successful bid, with the opportunity to request additional time for good cause. More specifically, Pilot Projects must undergo any required CEQA process to provide information on potential impacts of the project. Continued compliance with all environmental permit requirements is required for the duration of the Pilot Project's operation. CEQA Guidance is located in Attachment A.

### **7.3 Reporting**

Selected Pilot Projects must agree to report specific data to the Selection Committee and the CEC on a quarterly basis. Pilot Projects must also agree to allow these agencies to monitor and evaluate these data. Pilot Projects have an obligation to report the costs incurred, by both the dairy and utility, as long as the pilots are operational or the costs from the Pilot Projects are included in Utility rates, but not to exceed 15 years. Finally, Pilot Projects must agree to participate in reasonable research projects undertaken by these State agencies, sometimes in collaboration with the dairy industry, designed to better understand the emissions profiles of the Pilot Projects, their cost and revenue potential, the relative effectiveness of various design features, as well as reasonable related data reporting parameters. Confidential business information evaluated during reporting,

monitoring, and subsequent research is protected from disclosure under existing law. Details of the report parameters and evaluations are located in Attachment B.

#### **7.4 Interaction Between Existing Public Funding Programs**

Applicant-owned Pipeline Infrastructure costs for which the applicant intends to or does pay with another source of public funding or statutorily authorized funding (such as AB 2313 or the CDFA Dairy Digester Research and Development Program) are not eligible for reimbursement. A project shall document how funds received pursuant to the dairy biomethane pilot project program are spent on costs not otherwise covered by another funding source.

#### **7.5 Reimbursement Mechanism for Applicant-Owned Pipeline Infrastructure**

There will be a milestone payment reimbursement structure for Applicant-Owned Pipeline Infrastructure as follows:

**Milestone Payment 1:** When a selected pilot project spends 35% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 2:** When the selected pilot project spends 70% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project can seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 3:** Reimbursement payment up to 15% of the approved bid amount for Applicant-Owned Pipeline Infrastructure will be provided to the selected pilot project after meeting the 30 out of 40 days flow requirement as established in the Biomethane Monetary Incentive Program established in D.15-06-029, as modified by D.16-12-043:

Applicant to produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of the meter. Applicant must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Applicant is unable to produce flow because of an interruption of delivery as set forth in Rule No. 23. Applicants may elect to restart the 40 day testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.<sup>11</sup>

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<sup>11</sup> See D.15-06-029, p. 42, Conclusion of Law 12; D.16-12-043, pp. 33, 42, Conclusion of Law 2.

Once the 30 out of 40 days flow requirement is met, the selected pilot project must provide the appropriate utility with detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed 15% of the bid amount for Applicant-Owned Pipeline Infrastructure for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 4:** The final reimbursement payment of up to 15% of the bid amount for the Applicant-Owned Pipeline Infrastructure will be provided to the selected pilot project after meeting the forecasted renewable natural gas production volume as provided in the solicitation application. Once this requirement is met, the selected pilot project must provide detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the bid amount for Applicant-Owned Pipeline Infrastructure to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s). The final reimbursement payment will be available for 2 years, starting from the date the 30 out of 40 days flow requirement is met.

- Utilities shall submit reimbursement summaries to the Selection Committee & make all receipts reviewable available upon request.
- If a selected project withdraws from the pilot and has incurred any costs, the project must return any funds received.

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# CHAPTER 1 – Attachments

## ATTACHMENT A: CEQA Guidance

1. **Air Quality Protection.** Projects shall demonstrate protection of air quality such that project specific air quality impacts are mitigated to a level of insignificance. The design and construction of digester vessels (i.e., ponds and tanks), low pressure raw biogas pipeline, biogas upgrading and conditioning equipment, biomethane compression equipment, post-cleanup pipeline and interconnection components under this program shall be demonstrated to be protective of air quality. To meet air quality requirements, the following is required:
  - a. Pilot Projects must prepare and deploy methane leak detection or a plan covering the interconnection point, post-upgrading pipeline, compressor stations, biogas upgrading system, low-pressure pipeline, and anaerobic digester. Post-upgrading component methane leak monitoring shall be conducted in accordance with the leak<sup>12</sup> detection and repair<sup>13</sup> requirements of Section 95669 (Leak Detection and Repair) of the ARB Oil and Gas Regulation (California Code of Regulations, Title 17, Division 3, Chapter 1, Subchapter 10 Climate Change, Article 4)<sup>14</sup> and is the responsibility of the gas corporations. The cost of methane leak detection equipment is recoverable in rates.
  - b. Projects with existing or planned onsite generation technologies operating on dairy biogas (e.g., combustion turbine, reciprocating internal combustion engines, microturbines or fuel cells) must meet Best Available Control Technology (BACT) standards under new source review and shall demonstrate compliance for the life of the project.
  - c. Flaring of raw biogas or biomethane meeting pipeline specifications shall only be allowed in case of emergency. The local Air District(s) shall define what constitutes an emergency under this provision.
  - d. Any offsite emission reductions to offset a project’s criteria pollutant and toxic air contaminant emissions must occur in the same air basin as the project site.
2. **Water Quality.** Projects shall demonstrate protection of water. The design and construction of digester vessels (i.e., ponds and tanks) under this program shall be demonstrated to be protective of surface and ground water quality as determined by the appropriate regional water quality control board, including, but not limited to, each of the following:
  - a. Double-lined ponds consistent with the Tier 1 specification of the Dairy General Order (R5-2013-0122) of the Central Valley Regional Water Quality Control Board;
  - b. Above-ground tank;
  - c. Below-grade concrete lined tank

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<sup>12</sup> Leak is defined in § 95667 (a)(27) of the ARB Oil and Gas Regulation as “the unintentional release of emissions at a rate greater than or equal to the leak thresholds specified in this subarticle.”

<sup>13</sup> Leak detection and repair is defined in § 95667 (a)(28) of the ARB Oil and Gas Regulation as “the inspection of components to detect leaks of total hydrocarbons and the repair of components with leaks above the standards specified in this subarticle and within the timeframes specified in this subarticle.”

<sup>14</sup> Text of the Oil and Gas Regulation, effective October 1, 2017 is available at: <https://www.arb.ca.gov/regact/2016/oilandgas2016/ogfro.pdf>

## **ATTACHMENT B: Data Reporting Parameters and Participation in Evaluations**

Each selected dairy Pilot Project must participate in data reporting and evaluations and shall be submitted to the Selection Committee and CEC on a quarterly basis. Commercially sensitive data may be submitted with a request for limits on disclosure. Data reporting includes:

- A. Pilot Project Information and Description, including (but not limited to):
  1. Location
  2. Detailed dairy cow population (by dairy for clusters, segregated by age, gender, and lactation status)
  3. Discussion of business model
  4. Demonstrated dairy/site control for third party developer projects
  5. Description of current manure handling and all proposed modifications
  6. Description of equipment to be installed, including location of any centralized facilities shared between dairies
  7. Proximity to pipeline with injection capacity
  8. Proximity to transportation corridors
  9. Proximity to disadvantaged communities as defined by the Office of Environmental Health Hazard Assessment (OEHHA) by CalEnviroScreen 3.0.
  10. Description of related on- and off-dairy heavy-duty vehicle fleets (milk hauling, feed delivery) that could potentially be converted to low-NOx natural gas power.
  11. Discussion of fuel and transportation off-taker contracts completed or under development.
  
- B. Provide all information listed in the “FAAST Grant Application Questions”<sup>15</sup> section of the CDFA’s 2017 Dairy Digester Research and Development Program Solicitation.
  
- C. Costs, including but not limited to:
  1. Project Development and Construction, including the cost of design, engineering, installation, and individual component capital costs (e.g. including digesters, gathering lines, biomethane upgrading/conditioning, and pipeline injection point of receipt), including how any project delays impacted costs;
  2. Interconnection Studies;
  3. Component Operation and Maintenance (including consumables, labor, and energy requirements); and
  4. Description (including total amounts) of costs recovered through the utility ratebase.

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<sup>15</sup> Referenced material currently begins on page 12 of the May 3, 2017 Request for DDRDP Grant Applications <https://www.cdfa.ca.gov/oefi/ddrdp/>



D. Costs shall also be reported as follows:

1. Energy production cost-effectiveness (annual diesel gallon equivalents (DGEs) produced divided by annualized project expenditures);
2. Methane emissions abatement cost effectiveness (annual emissions avoided divided by annualized project expenditures); and
3. Percent of total project costs recovered from utility ratepayers (defined as Pipeline Infrastructure Costs).

E. Project developers agree to allow the following to be monitored, evaluated, or otherwise studied:

1. Feasibility
2. Cost-effectiveness
3. Method to track and verify delivery of biomethane to transportation fuel fleets or customers
4. Determinants of technical performance, including the following:
  - i. Emissions (GHG and criteria) and emissions reductions
    - Methane emission reductions must be calculated using either the ARB Livestock Projects Compliance Offset Protocol<sup>16</sup> or the FY 17/18 CDFA Dairy Digester Research and Development Program Quantification Methodology.<sup>17</sup>
    - Projects are required to provide GHG calculations in the following formats:
      - Total annual biomethane injection;
      - Total annual GHG emission reduction;
      - GHG reduction per unit of energy-corrected milk (ECM) produced by the dairy operation;
      - GHG reduction per dollar CDFA-DDRDP and additional GGRF (if any) grant money invested. (If applicable)
  - ii. Renewable energy potential (amount of biogas and fuel produced)
  - iii. Effectiveness of selected technology components
    - Dairy digestion technology, including monitoring and testing of baseline and post-digester emissions, at a minimum methane, nitrous oxide, criteria pollutants, and toxic air contaminants from anaerobic digestion, handling of post-digestion manure, and any other air emissions from a project
    - Biogas upgrading and conditioning, including monitoring biogas quality achieved pre- and post-cleanup by methods including, but not limited to standard leak-detection and remote sensing

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<sup>16</sup> Information on the ARB Livestock Projects Compliance Offset Protocol available on the ARB website at: <https://www.arb.ca.gov/cc/capandtrade/protocols/livestock/livestock.htm>

<sup>17</sup> The Greenhouse Gas Quantification Methodology for the CDFA DDRDP is available at: [https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/cdfa\\_ddrdp\\_finalqm\\_17-18.pdf](https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/cdfa_ddrdp_finalqm_17-18.pdf)

- Pipeline and interconnection point of receipt
- iv. Impact on daily operation of dairy
  - v. Lessons learned
    - Key ingredients for success
    - Pitfalls to avoid
    - Potential for cost reductions
    - Transferability to other biomethane submarkets (e.g., wastewater treatment plants, organic diversion at landfills, food waste)
  - vi. Scalability and replication potential
5. Future research<sup>18</sup> related to understanding and encouraging dairy pipeline injection projects.

F. Prior to project initiation,<sup>19</sup> project developers must conduct reasonable outreach to neighboring disadvantaged communities identified by CalEnviroScreen 3.0,<sup>20</sup> as specified by the Selection Committee, and CEC as appropriate, concerning project benefits, impacts, and measures that will increase benefits and reduce impacts. Input from the communities must be solicited, recorded, and (when feasible) incorporated into development plans. Agency representatives will attend the outreach events when feasible. Summaries of comments received, and proposed responses to each will be prepared and submitted to the agencies for approval.

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<sup>18</sup> This requirement allows for appropriate planning and allocation of funding and resources for integrated interagency research plans and projects which may not be finalized before the release and adoption of the Rulemaking. ARB desires to retain the right to conduct reasonable research on pilot project facilities in the event that research plans and projects are not finalized before pilots are selected.

<sup>19</sup> For the purposes of the pilot project selections, ARB defines “prior to project initiation” for environmental justice outreach purposes as meaning before biomethane commences injection into the natural gas pipeline network.

<sup>20</sup> Information on CalEnviroScreen 3.0 is available at: <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

## **ATTACHMENT C: Confidentiality**

### **Selection Committee Confidentiality Requirements**

For the solicitation process, utilities will treat information confidentially as follows:

### **Utility Confidentiality Requirements**

- **SoCalGas and SDG&E**

When a party requests an Interconnection Capacity Study under the existing Rule 39 process, one of the first steps is for the party and SoCalGas/SDG&E to execute a Non-Disclosure Agreement (NDA) to ensure information exchanged remains confidential. SoCalGas and SDG&E will utilize this same existing procedure for the Solicitation and will execute a NDA with the Applicant immediately after the Applicant requests a Pipeline Infrastructure Scoping and Cost Estimation (Step 7 of Chapter 1, Section 5.1). This will ensure the information exchanged during the Solicitation process will be treated as confidential.

- **PG&E**

At the time Applicants submit a request for PG&E to perform a “Pipeline Infrastructure Scoping and Cost Estimation” (Step 7 of Chapter 1, Section 5.1), PG&E will require execution of a Non-Disclosure Agreement to protect proprietary information furnished to the Applicant.

- **Southwest Gas**

As applicable, Southwest Gas will negotiate an NDA with Applicants to ensure information exchanged remains confidential.

## ATTACHMENT D: Key Terms and Definitions

Word/Term	Definition
Applicant(s)	The respondent(s) to this solicitation
Applicant-Owned Pipeline Infrastructure	Applicant shall own and operate the biogas collection lines and any biogas treatment or conditioning equipment to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines (refer to Chapter 1, Section 4.0, Figure 1, Lane 2)
Application	An applicant's formal written response to this solicitation
Greenhouse Gas (GHG) Emissions Reduction	A calculated decrease in GHG emissions relative to a project baseline scenario over a specified period of time.
Pilot Pilots	Dairy pilot projects that propose to demonstrate interconnection to the common carrier pipeline system under SB 1383
Pipeline Infrastructure	Includes both Applicant-Owned Pipeline Infrastructure and Utility-Owned Pipeline Infrastructure (refer to Chapter 1, Section 4.0, Figure 1, Lanes 2, 4, 5 and 6)
Rulemaking	CPUC (R.) 17-06-015
Selected Pilot Projects	Dairy Pilot Projects selected by the Selection Committee to demonstrate interconnection to the common carrier pipeline system under SB 1383
Selection Committee	Made up of CPUC, ARB, and CDFA, controls the terms of the Solicitation and selects the Pilot Projects to move forward to contract with Utilities
Selection Criteria	As described in Chapter 1, Section 6.0
Utility or Utilities	Pacific Gas & Electric (PG&E), San Diego Gas and Electric (SDG&E), SoCalGas, and Southwest Gas Corporation (Southwest Gas)
Utility-Owned Pipeline Infrastructure	Utility owned and operated pipeline lateral and compression, interconnection point of receipt, and interconnection pipeline extension (refer to Chapter 1, Section 4.0, Figure 1, Lanes 4-6)

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## CHAPTER 2: Required Documentation For Submitting Application

**Include:** Applicant shall respond to all questions in adequate detail for Sections 1 to 7 below, which will be inputs for the Selection Criteria.

**Format for Submittal:** Times New Roman font size 11, 1 inch margins, and single-spaced. Do not change order of sections, margins, font size, or spacing. Label all supplemental attachments according to their numbering below. If providing additional supporting documentation, commence numbering and make it clear which Application section it applies to.

### 1. Pilot Project Basics

<b>Pilot Project Name:</b>	
<b>Applicant Entity:</b>	
<b>Additional Pilot Project Partners:</b>	
<b>Dairy Cluster? (Y/N):</b>	
<b>Dairy Location(s) - City, County:</b>	
<b>Existing Digester(s)? (Y/N):</b>	
<b>Existing or Anticipated Contract(s) for Electric Generation? (Y/N):</b>	
<b>Primary Contact Name:</b>	
<b>Primary Contact Email:</b>	
<b>Primary Contact Phone:</b>	
<b>Executed Feedstock Agreement</b>	
<b>Existing Site Control Agreement</b>	

### 2.0 Dairy Waste-to-Biomethane Business Model (Maximum Points = 20)

#### 2.1 Dairy Operation

- 1) Provide the details of the history and background for each dairy operation for the Pilot Project.
  - a. Provide herd size and breed, including average number of lactating cows (in freestalls and in open lot corrals), dry cows, replacement calves, replacement heifers, and any other livestock for each dairy.
  - b. Explain the current management practices in detail, including a description of lagoon(s) size (depth and volume) if currently using lagoon storage, parlor water use, bedding type, method and frequency of manure collection including percent of manure collected from each production group (i.e., lactating cows, heifers etc.).

- c. As **Attachment 1**, include a schematic diagram showing total solids flows into and lost from the manure treatment system.
  - d. Provide details of quantity, location, and source of manure and other materials (if any) digested, and quantify minimum daily total solids loads needed for the system to operate optimally.
  - e. Explain if each facility will be able to guarantee the minimum feedstock needed for each digester, and how manure will be handled when the system is not operational.
- 2) For the Pilot Project, describe the phased-approach or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The Selection Committee will only consider GHG emission reductions based on executed feedstock agreements in this scoring criteria. The Selection Committee may also review and consider future expected feedstock agreements, but these non-executed agreements will not be considered for methane destruction scoring purposes.
  - 3) Explain in detail how current dairy manure management operations compare to the proposed pilot methane management operations.
  - 4) As **Attachment 2**, provide a map (as included in your Pipeline Infrastructure Scoping and Cost Estimation Request) that provides a project overview including:
    - a. The dairies where the developer has an agreement for the feedstock
    - b. The dairies where the developer does not have an agreement for the feedstock but could be added at a future time
    - c. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas upgrading facility
    - d. Location of the central biogas upgrading facility
    - e. Location of the utility point of receipt
    - f. Location of the utility pipeline extension
    - g. Identify public right-of-way and private right-of-way for each component

## 2.2 Technology Plan

- 1) Dairy Digesters
  - a) Describe the proposed digester technologies in sufficient detail to explain how it works and its technical feasibility and/or commercialization status.
  - b) Provide a clear description about what the Pilot Project is currently committed to accomplish and future plans.
  - c) In **Attachment 3**, provide Project design documents, including schematics, figures, graphics and plans, must be submitted as part of the Application. Project designs must be approved by a licensed professional engineer. Details such as digester volume, solids and hydraulic retention times and mass balance through the digester must be included. Mass balance must be illustrated in an annotated diagram with the following components clearly indicated:
    - Manure input rate (mass or gallons with estimated total solids)
    - Digestate outflow rate (mass or volume with estimated total solids)
    - Expected bio-gas flow with methane content estimate.
- 2) Biogas Collection Lines
  - a) Describe how biogas collection lines will be maintained in accordance with city, state and local codes, and any other codes and regulations that are applicable.
  - b) Describe any additional measures, beyond what is required in code, that will be taken to ensure the safe installation (e.g., installation depth, utility clearance, safety tape/mesh).
  - c) Describe any additional measures, beyond what is required in code, that will be taken to ensure the ongoing safety performance with operation and maintenance of the pipelines (e.g., leak survey, valve installation).

- d) Describe any permits required for the installation and maintenance of the biogas collection lines and the status of each permit.
  - e) Describe how to manage any condensates in the lines and monitoring of integrity.
  - f) As **Attachment 4** provide a diagram or a drawing showing the expected pressures and temperatures at various points in the biogas collection lines. Provide the type(s) of materials used to create the biogas collection lines.
- 3) Biogas Conditioning and Upgrading Facility
- a) Describe the proposed biogas conditioning/upgrading technologies in sufficient detail to explain how it works and its technical feasibility and/or commercialization status.
  - b) Describe any gas processing of the biogas at each dairy prior to the biogas entering collection lines.
  - c) Describe any gas compression of the biogas to be done at each dairy prior to the biogas entering the collection lines.
  - d) In **Attachment 5** provide the following:
    - Process flow diagrams for the central biogas conditioning and upgrading facility, include expected pressure of the biogas entering the central biogas conditioning and upgrading facility.
    - Describe the design parameters for the biogas upgrading facility:
      - Flow capacity
      - Gas composition of feed gas
      - Gas composition of product gas
      - Heat and Material Balance
      - Preliminary calculations
      - Equipment data sheets
      - Utility requirements
      - Chemicals used (provide Safety Data Sheets)
  - e) Describe the nitrogen and oxygen removal capabilities (include maximum levels). If so, what are the maximum levels of nitrogen and oxygen while still able to meet the utility pipeline quality specifications.
  - f) Describe any performance guarantees provided by the biogas upgrading system vendors.
  - g) Should the renewable natural gas not meet pipeline quality specifications and the Utility does not accept the gas into the common carrier pipeline, explain how the applicant will remedy this situation, including description of how any non-compliant gas and upstream gas production will be managed through this process.
  - h) Describe how the biogas upgrading facility will be installed in accordance with city, state and local codes, and any other codes and regulations that are applicable
  - i) Describe any additional measures, beyond what is required in code, that will be taken to ensure safe installation
  - j) Describe any additional measures, beyond what is required in code, that will be taken to ensure the ongoing safety performance with operation and maintenance of the biogas upgrading facility
  - k) Describe any permits required for the installation and maintenance of the biogas upgrading facility and the status of each permit
  - l) Describe expected amount of tail gas flaring, including methane content and expected combustion emissions.



- 4) Pipeline Lateral and Compression
  - a) Provide the distance from the biogas conditioning and upgrading facility to the point of receipt.
  - b) Provide the expected pressure (minimum, average and maximum in psig), temperature, gas composition, and volumes (minimum, expected average and maximum in standard cubic feet per hour) of the renewable natural gas leaving the biogas conditioning and upgrading facility and entering the pipeline lateral.
  - c) Provide site conditions including ambient temperatures, elevation and available utilities.
- 5) Complete End-to-End Technology Solution (Digester to Central Conditioning/Upgrading Facility)
  - a) Describe how proposed technologies and processes contribute to the facility's/project's ability to compete in the commercial California marketplace. Provide assumptions and sources of relevant data.
  - b) Identify and document the role of technology partners, including the legal or contractual relationship and obligations between partners.
  - c) If applicable, discuss how the proposed technology is a transformative approach to tackling a critical technology issue or market barrier.

### **2.3 Marketing Plan**

- 1) Identify credible target markets for biomethane, market drivers, and anticipated market growth.
- 2) Identify market barriers to the development of dairy biomethane, including existing or potential competitions, and how the Pilot Project will overcome them.
- 3) Describe and document the role of strategic marketing partners, customers, and other partners in ensuring Pilot Project success, including fuel and co-product off-take agreements (existing or conditional agreements).
- 4) Submit preliminary draft 1-page summary showcasing the benefits of the project. Please include information for public consumption including: costs, benefits, uses of new technology, partnerships, community benefits, any other information that could be provided to the public to explain why the project is of benefit to the State of California.

### **2.4 Scalability**

- 1) Discuss the replicability of the proposed digester and conditioning technologies and the long-term viability of scaling up capacity.
- 2) Describe how feasible it is for the interconnect location to accept biomethane from potential additional digesters.
- 3) Describe the potential for future expected feedstock agreements and the expected timing for such agreements and the inclusion of such feedstock in proposed Pipeline Infrastructure.

### **2.5 Project Team Qualifications**

- 1) Provide a list of team members along with a short description of their qualifications, experience, technical expertise, capabilities, and credentials (e.g., a professional resume). This must include at a minimum, project developers, project manager, and participating dairy farmer(s). Applicant must identify why this particular team composition and representation will enable successful implementation of the proposed work plan. Collaboration is encouraged.

- 2) If a Pilot Project is being submitted by a project developer, a contractual agreement documenting project support from the dairy producer(s) must be included as **Attachment 6**. Letters of commitment from team members demonstrating understanding of their participation and specific role(s) in the Pilot Project must also be included.
- 3) Provide an explanation of how various tasks will be managed and coordinated and how the Pilot Project manager's technical expertise will help achieve the goals of the project. Describe previous experience of the Pilot Project team with dairy digester projects in California or other parts of the United States.
- 4) List past successful digester projects developed by the Pilot Project team, including digesters implemented in California and their operational status.

## **2.6 Long Term Viability of Project**

- 1) Demonstrate how the operations and maintenance costs of the Pilot Project will be sustained for the life of the Pilot Project. Explain all ongoing funding sources for the Pilot Project. List personnel positions assigned to carry out operations and maintenance through the life of the Pilot Project.
- 2) Examine, compare and describe the availability of required replacement parts and qualified service personnel to keep the system operating as effectively as possible with a minimum amount of downtime for repairs or maintenance. Provide information regarding availability of replacement parts and qualified service technicians, the cost of commonly replaced parts/services, and the availability of included maintenance packages.

## **3.0 Financial Plan/Soundness (Maximum Points = 15)**

### **3.1 Economic Viability**

- 1) Demonstrate economic viability of the proposed Pilot Project by providing the following financial documentation (with assumptions listed) over the duration of the proposed Pilot Project.
- 2) In **Attachment 7** provide balance sheet and cash flow statements for the past three (3) year for Applicant's firm and any other partners that have a substantial stake in the Pilot Projects, if available. Documents must be audited and certified by a Certified Public Accountant (CPA). If audited financial statements are not available by submission date, then financial statements certified by a CPA are acceptable.
- 3) In **Attachment 8** provide five-year pro forma financial statements for Applicant's firm and any other partners that have a substantial stake in Pilot Project, including projected balance sheet, income statement, cash flow statement, and debt service schedule for existing and planned long-term debt, if any. List assumptions, including but not limited to, market supply and demand conditions of the industry, market fluctuations, and monthly or quarterly fixed costs and variable costs.
- 4) In **Attachment 9** (the Project Scoping and Cost Estimation) provide Applicant's estimated costs should include the following: Pipeline Infrastructure (include all Applicant and Utility owned infrastructure costs, biogas treatment facilities and collection lines and compression, point of receipt, pipeline lateral and Utility-owned compression, pipeline extension, etc.), equipment (e.g., valves, meters, and protection devices), digester, conditioning facility, design, engineering, and installation costs. Within each job activity, cost should be broken down by labor, operation and maintenance, and each installed piece of equipment. At least two references to actual historical or current competitive cost data for similar work must be included to justify the cost for biogas collection line, conditioning equipment to remove hydrogen sulfide and water from the raw biogas, pipeline lateral, point of receipt, and pipeline extension. CPUC has the discretion to modify the cost estimation. An Applicant pursuing a phased approach to its project should include anticipated costs of all phases of the Pilot Project. The phased-approached cluster Pilot Project must include a signed lease and a feedstock agreement, not just a letter of interest or future

addition. Include all Utility supporting documentation, reports, studies, etc. used to calculate Utility owned infrastructure costs.

- 5) Identify applicant's sources of funding for the Pilot Project, such as grants, loans and equity contributions, and types, terms, and conditions of match agreements. If funding is from a public funding source, identify what project components will be paid for by the public funding source. Project funding should be described by both financial resources and percentage of total equity. Provide contact information for each match source.
- 6) Identify the financial risks to the proposed Pilot Project and describe the methods the Applicant will use to effectively manage and mitigate those risks. At a minimum, Applicant should address risks associated with construction, cost overruns, operation, maintenance, technology, regulations, and economic conditions.
- 7) Demonstrate the economic viability of the long-term plan following Pilot Project completion.
- 8) Identify and demonstrate how co-products or other revenue streams contribute to the business plan. Discuss assumptions about expected income from all revenue sources. Discuss how much Pilot Project viability depends on co-product revenues.
- 9) Discuss estimated values and planned disposition of any potential Low Carbon Fuel Standard credits, Renewable Fuel Standard Program credits (RINs), and/or carbon cap-and-trade credits.
- 10) List any pending or filed litigation in which Applicant is a party, and explain the extent of Applicant's liability coverage, if any. **Please list only litigation that pertains to or impacts the Pilot Project's execution. Explain how the pending or filed litigation affects the applicant's ability to complete and/or operate the Pilot Project.**
- 11) Will any of the biogas flowing through the collection lines not be injected into the utility pipeline system? If yes, please provide: 1) the expected total volume (standard cubic feet per day) of biogas flowing through the collection lines and 2) the volume of biogas flowing through the collection lines that will not be injected into the pipeline and the end-use equipment for this biogas.
- 12) In **Attachment 10** provide the Applicant's proposed schedule. The schedule should include the tasks identified in Attachment 9, the Project Scoping and Cost Estimation. CPUC has the discretion to modify the project schedule. An Applicant pursuing a phased approach to its project should include anticipated schedule of all phases and major milestones of the Pilot Project. Include the permitting schedule (as described in Chapter 2, Section 7.1).

## **4.0 GHG Reduction and Cost Effectiveness (Maximum Points = 25)**

### **4.1 Greenhouse Gas Reduction**

Explain how the proposed Pilot Project will result in reduction of metric tonnes of GHG emission annually compared to existing practices for the dairy. Provide the estimated GHG emission reduction resulting from the proposed Pilot Project(s) based on executed feedstock agreements. The Selection Committee will not consider GHG emission reductions that are based on future expected feedstock agreements in this scoring criteria. Download and complete the ARB GHG Emissions Reduction Calculation Tool. Scroll down and select latest version of the CDFA Dairy Digester Research and Development Program. The tool may allow applicant to change the default setting if justification is made with reference to research studies (e.g., electrical conversion efficiency for specific technology). However, this setting is currently being evaluated by ARB and CDFA and may change in future versions.

<https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm>

### **4.2 Cost-Effectiveness**

A higher score will be given to Pilot Projects providing the greatest GHG emissions reductions per dollar invested (cost-effectiveness). Provide a description and relevant documentations of the cost effectiveness of

the proposed Pilot Project, measured according to a standard cost-effectiveness metric. A standard cost-effectiveness methodology is dividing the amount of estimated methane emission reductions, based on executed feedstock agreements, over 10 years based on the California Air Resources Board's "Dairy Digester GHG Emission Reduction Calculator" by the total cost of the project based on the Pipeline Infrastructure costs which includes utility reimbursement for biogas collection line(s) and the utility's "Project Scoping and Cost Estimation," (Attachment 9) which includes construction, maintenance and operation cost for pipeline lateral, compression, point of receipt, and pipeline extension. The Selection Committee will not consider GHG emissions reductions that are based on future expected feedstock agreements in this scoring criteria.

- Please indicate in cost estimates what costs are related to safety as these costs are necessary components of the dairy pilots.

#### **4.3 Justification and Reference Requirement**

Inputs to the applicant's GHG emission reduction and the cost estimation may be added or modified if the Selection Committee finds it inadequate. Justification must be made if there are changes to the default setting in the GHG emission calculation tools. At least two references are required to support the cost estimation. References should include historical or current competitive cost data for similar work.

### **5.0 Environmental Benefits (Maximum Points = 15)**

#### **5.1 NOx and Criteria Pollutants**

- 1) Priority will be given to projects based on the criteria pollution benefits achieved by the project. Describe the Pilot Project's impact on NOx, other criteria pollutants, toxic air contaminants and hazardous air pollutants. Include all potential emission sources and how emissions would change before and after implementation of project. In **Attachment 11** provide supporting documents to support written explanation. Examples of options that can reduce or minimize generation of air pollutants mentioned above include, but are not limited to, upgrading biogas to biomethane for vehicle fuel production (either onsite or through injection into a common Carrier Pipeline), Microturbine Installation (onsite Electrical Generation), Fuel Cell Installation (Onsite Electrical Generation), Natural Gas Process Fuel Replacement, Agricultural Pump Electrification.
- 2) A higher score will be given to Pilot Projects that minimize criteria pollutant and Toxic Air Contaminant (TAC) emissions and maximize net criteria pollutant reductions.

#### **5.2 Mitigate Emissions On-Site**

Explain how the proposed Pilot Project will incorporate feasible mitigation measures, in accordance with the California Environmental Quality Act, to mitigate to a level that is less than significant, any potential adverse impact on local air quality from project specific criteria pollutants and TAC emissions from all aspects related to the project, including emissions resulting from construction, operation of the project, and resultant increases in vehicle miles travelled to and from the project site. Emissions not associated with the operation of the pilot project (e.g., agriculture pumps, normal farm vehicle operation, etc.) do not require mitigation. Any offsite mitigation of project's criteria pollutant and TAC emissions must occur in the same air basin as the project site.

- Describe related on-dairy heavy-duty vehicle fleets (milk hauling, feed delivery) that could potentially be converted to low-NOx natural gas power.

#### **5.3 Mitigate Emissions Off-Site**

Explain how the proposed pilot project reduces net criteria pollutant emissions.

- 1) Provide information and description of the project's proximity to transportation corridors.

- 2) In **Attachment 12** provide documents that support vehicle fuel sold to and utilized by freight transport vehicles along the State's major freight and transportation corridors (e.g., Interstate 5, State Route 99) or other locations.
- 3) In **Attachment 13** provide documents that verify any partnership with local delivery fleets (e.g. milk hauling, feed delivery) to convert diesel freight vehicles to natural gas vehicles and supply them with renewable compressed natural gas from a pilot injection project. These conversions will reduce NOx and diesel particulate matter of existing fleets.
- 4) In **Attachment 14** provide documents that verify contracts for the use of pipeline-injected renewable natural gas in electricity generation.

#### 5.4 Project Co-Benefits

Describe any additional environmental co-benefits the project will have beyond methane reductions and mitigation of NOx and other criteria pollutants, toxic air contaminants and hazardous air pollutants. Provide an explanation of additional co-benefits provided by the Pilot Project by written explanation, supporting documentation and citations from published literature. Examples of additional co-benefits that can potentially increase the project ranking include, but not limited to: clustering of projects; water conservation measures; water quality improvements; development of value-added post-methane production products such as fertilizers and soil amendments; utilization of waste heat; and expanding RCNG vehicle fuel network and on-farm equipment or transportation fleet conversion from fossil fuel use to electricity, RCNG or CNG.

### 6.0 Disadvantaged Communities (Maximum Points = 10)

#### 6.1 Community Impacts and Mitigation

A proposed Pilot Project that thoroughly explains, discusses, quantifies, and mitigates impacts and demonstrates outreach and engagement efforts will receive higher scores (e.g., a community benefit agreement will receive a higher score compared to community meeting summary).

- 1) Provide information and describe the project's proximity to disadvantaged communities.
- 2) Discuss and quantify the potential impacts (positive or negative) of the proposed Pilot Project on disadvantaged communities within California (within the top 25 percent of disadvantaged communities as defined by CalEnviroScreen 3.0).<sup>21</sup>
- 3) Describe in detail specific mitigation measures that will be included in the Pilot Project, including but not limited to, methods to mitigate impacts such as toxic air contaminants, hazardous air pollutants, criteria pollutants, groundwater and surface water impacts, truck traffic, and odor.
- 4) Describe how the Pilot Project proponent(s) engaged the community. Did community-based non-profit organization(s) involved in potentially impacted communities provide assistance in engagement efforts? Did discussion include potential adverse impacts of proposed Pilot Project(s), including a net increase in criteria pollutants, toxic air contaminants, hazardous air pollutants, groundwater and surface water impacts, and truck traffic, and odor?
- 5) List the public, community organizations and/or government stakeholders involved.
- 6) Provide details of community meetings, including but not limited to method of notification, attendance, location, date/time, translation services provided, childcare provided, meals provided.
- 7) In **Attachment 15** provide support letters from community members and/or leaders demonstrating that outreach was conducted (at least 3).

<sup>21</sup> <http://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

- 8) Describe any community benefits agreement with local communities that describes the intentions for developing mutually beneficial outreach and requirements for each group.

## 6.2 Localized Economic Benefits

Applicants must explain economic benefits that will be provided to the community (or communities) where the Pilot Project is located. If your project will create temporary construction and/or permanent jobs in the community, indicate how many jobs, total project work hours, job classification/trade, approximate salaries and benefits for each job classification and trade, how long these jobs will last, and how they compare to current unemployment rates. Please be consistent with project work plan and the budget.

## 7.0 Project Readiness and Implementation (Maximum Points = 15)

- 1) **Overall Readiness/Permitting.** Include information about the permitting required for the Pilot Project and whether or not the permitting has been completed. This includes any description of permits required for the Utility-owned Pipeline Infrastructure. If the permitting has not been completed, include a permitting schedule that ensures successful project completion within the timeframes specified in this solicitation.
- 2) **Site Control.** In **Attachment 16** describe the proposed Pilot Project site and provide documentation and/or descriptions of site and equipment control. This includes any site control required for the Utility-owned Pipeline Infrastructure. Site and equipment control includes, but is not limited to: leases, ownership, or access rights. Proposed point of interconnection to a natural gas pipeline must be identified along with the distance between the proposed project and proposed point of interconnection. Applicants must also demonstrate thorough safety, maintenance, and training procedures will be in place.
- 3) **California Environmental Quality Act.** Include information documenting progress towards achieving compliance under the California Environmental Quality Act (CEQA). If CEQA compliance has not been obtained for an application, then include a schedule to complete CEQA activities for the proposed project.
- 4) **Community Outreach.** Include information about planned community outreach, including outreach and discussions with fire marshals and educational efforts to explain the proposed project to the public.
- 5) **Previous awards.** Include any received previous grants or awards from CEC, CDFG, and ARB, and describe how the requirements of the agreement(s) have been fulfilled/are being fulfilled. Describe previous grants or awards for the project from any source.
- 6) **Safety Action Plan.** Delineate potential unsafe conditions and note preliminary processes and procedures to respond to each.

## CHAPTER 2 Appendices: Attachment Checklist

**Include:** Applicant shall respond to all requests for attachments in adequate detail as shown below, which correspond with the sections and will be inputs for the Selection Criteria.

**Format for Submittal:** Times New Roman font size 11, and single-spaced. Label all supplemental attachments according to their numbering below. If providing additional supporting documentation, add rows to the table and commence numbering and make it clear which Application section it applies to.

	Attachment	Section	Description
<input type="checkbox"/>	1	2.1.1c	As Attachment 1, include a schematic diagram showing total solids flows into and lost from the manure treatment system.
<input type="checkbox"/>	2	2.1.4	<p>Provide a map (as included in your Project Scoping and Cost Estimation Request) that provides a project overview including:</p> <ol style="list-style-type: none"> <li>1. The dairies where the developer has an agreement for the feedstock</li> <li>2. The dairies where the developer does not have an agreement for the feedstock but could be added at a future time</li> <li>3. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas upgrading facility</li> <li>4. Location of the central biogas upgrading facility</li> <li>5. Location of the utility point of receipt</li> <li>6. Location of the utility pipeline extension</li> <li>7. Identify publi right-of-way and private right-of-way for each component</li> <li>8. The location of the dairy digesters: existing, under development, and planned</li> </ol>
<input type="checkbox"/>	3	2.2.1c	<p>Provide project design documents, including schematics, figures, graphics and plans, must be submitted as part of the Application. Project designs must be approved by a licensed professional engineer. Details such as digester volume, solids and hydraulic retention times and mass balance through the digester must be included. Mass balance must be illustrated in an annotated diagram with the following components clearly indicated:</p> <ol style="list-style-type: none"> <li>1. Manure input rate (mass or gallons with estimated total solids)</li> <li>2. Digestate outflow rate (mass or volume with estimated total solids)</li> <li>3. Expected bio-gas flow with methane content estimate</li> </ol>
<input type="checkbox"/>	4	2.2.2f	Provide a diagram showing the expected pressure at various points in the biogas collection lines. Provide the type(s) of materials used to create the biogas collection lines.
<input type="checkbox"/>	5	2.2.3c	<p>Provide process flow diagrams for the central biogas conditioning and upgrading facility, include expected pressure of the biogas entering the central biogas conditioning and upgrading facility. Describe the design parameters for the biogas upgrading facility:</p> <ol style="list-style-type: none"> <li>1. Flow capacity</li> <li>2. Gas composition of feed gas</li> <li>3. Gas composition of product gas</li> <li>4. Heat and Material Balance</li> <li>5. Preliminary calculations</li> <li>6. Equipment data sheets</li> <li>7. Utility requirements</li> <li>8. Chemicals used (provide Safety Data Sheets)</li> </ol>
<input type="checkbox"/>	6	2.5.2	If a Pilot Project is being submitted by a project developer, a contractual agreement documenting project support from the dairy producer(s) must be included. Letters of commitment from team members demonstrating understanding of their participation and specific role(s) in the Pilot Project must also be included.

<input type="checkbox"/>	7	3.1.2	Provide balance sheet and cash flow statements for the past three (3) year for Applicant's firm and any other partners that have a substantial stake in the Pilot Projects, if available. Documents must be audited and certified by a Certified Public Accountant (CPA). If audited financial statements are not available by submission date, then financial statements certified by a CPA are acceptable.
<input type="checkbox"/>	8	3.1.3	Provide five-year pro forma financial statements for Applicant's firm and any other partners that have a substantial stake in Pilot Project, including projected balance sheet, income statement, cash flow statement, and debt service schedule for existing and planned long-term debt, if any. List assumptions, including but not limited to, market supply and demand conditions of the industry, market fluctuations, and monthly or quarterly fixed costs and variable costs.
<input type="checkbox"/>	9	3.1.4	Provide the Project Scoping and Cost Estimation. Applicant's estimated costs should include the following: Pipeline Infrastructure (include all Applicant and Utility owned infrastructure costs, biogas treatment facilities and collection lines and compression, point of receipt, pipeline lateral and Utility-owned compression pipeline extension, etc.), equipment (e.g., valves, meters, and protection devices), digester, conditioning facility, design, engineering, and installation costs. Within each job activity, cost should be broken down by labor, operation and maintenance, and each installed piece of equipment. At least two references to actual historical or current competitive cost data for similar work must be included to justify the cost for biogas collection line, conditioning equipment to remove hydrogen sulfide and water from the raw biogas, pipeline lateral, point of receipt, and pipeline extension. CPUC has the discretion to modify the cost estimation. An Applicant pursuing a phased approach to its project should include anticipated costs of all phases of the Pilot Project. The phased-approached cluster Pilot Project must include a signed lease and a feedstock agreement, not just a letter of interest or future addition. Include all Utility supporting documentation, reports, studies, etc. used to calculate Utility owned infrastructure costs.
<input type="checkbox"/>	10	3.1.12	Provide the Applicant's proposed schedule. The schedule should include the tasks identified in Attachment 9, the Project Scoping and Cost Estimation. CPUC has the discretion to modify the project schedule. An Applicant pursuing a phased approach to its project should include anticipated schedule of all phases of the Pilot Project. Include the permitting schedule (as described in section 7.1).
<input type="checkbox"/>	11	5.1.1	Provide supporting documents to support written explanation: Describe the Pilot Project's impact on NOx, other criteria pollutants, toxic air contaminants and hazardous air pollutants. Include all potential emission sources and how emissions would change before and after implementation of project.
<input type="checkbox"/>	12	5.3.2	Provide documents that support vehicle fuel sold to and utilized by freight transport vehicles along the State's major freight and transportation corridors (e.g., Interstate 5, State Route 99) or other locations.
<input type="checkbox"/>	13	5.3.3	Provide documents that verify any partnership with local delivery fleets (e.g. milk hauling, feed delivery) to convert diesel freight vehicles to natural gas vehicles and supply them with renewable compressed natural gas from a pilot injection project. These conversions will reduce NOx and diesel particulate matter of existing fleets.
<input type="checkbox"/>	14	5.3.4	Provide documents that verify contracts for the use of pipeline-injected renewable natural gas in electricity generation.
<input type="checkbox"/>	15	6.1.7	Provide support letters from community members and/or leaders demonstrating that outreach was conducted (at least 3).
<input type="checkbox"/>	16	7.0.2	Describe the proposed Pilot Project site and provide documentation and/or descriptions of site and equipment control. This includes any site control required for the Utility-owned Pipeline Infrastructure.
<input type="checkbox"/>	17	Specify section	[Provide description of attachment]



## EXHIBIT 2

### CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is made and entered into effective as of **March 17, 2018** ("Effective Date"), by and between **California Bioenergy LLC** located at **324 S. Santa Fe, Suite B, Visalia, CA 93292** ("Company"), and the **Southern California Gas Company**, a California corporation, located **at 555 W. Fifth Street, Los Angeles, CA 90013-1011** ("SCG").

In consideration of the mutual covenants herein, and the disclosures to be made in connection herewith, the parties agree as follows:

1. Company is considering engaging in developing multiple **biomethane pilot projects in connection with California Senate Bill ("SB") 1383, as further delineated in Schedule A**, that would connect with SCG's gas pipeline system ("Projects") in California and wishes to discuss with SCG certain aspects of the Projects and the possible future relationship of the parties concerning the Projects (the "subject matter"). Because of the competitive nature of the Projects and the subject matter, which may be discussed by the parties concerning the Projects, the parties agree to keep all subject matter identified in writing as "Proprietary Information" confidential. "Proprietary Information" shall mean any data, information, trade secrets or "know-how" that is proprietary to a Party, and not known to the Party receiving it or the general public as of the date hereof, which is disclosed in the course of dealings between the Parties in connection with this Agreement, in oral and/or written form. For the purposes of this Agreement, the party receiving Proprietary Information from a party in connection herewith is the "Receiving Party," and the party providing Proprietary Information to the other party hereunder is the "Disclosing Party". Any information designated by a party as Proprietary Information, if in tangible form, will be marked clearly as "Proprietary Information"; or if communicated orally, it must be identified in writing as "Proprietary Information" in reasonable detail within five (5) business days after disclosure. This Agreement does not require either Party to disclose any particular "Proprietary Information," or to disclose it in any particular form or format. No representation is made that any Proprietary Information disclosed is free from error, or suitable for any use or purpose. Company understands that as a California public utility company SCG is obligated to provide service in a non-discriminatory manner and this Agreement in no way prevents, restricts or limits SCG's discussions or relationships with other companies considering **interconnection** projects other than not disclosing the Proprietary Information of Company.
2. Except as otherwise provided in this Agreement, no part of the Proprietary Information may be disclosed or delivered to third parties or used by the Receiving Party for any purpose other than for the purpose stated in Paragraph 1 above, without the prior written consent of the Disclosing Party, which may be refused. Except as authorized in writing by the Disclosing Party, the Receiving Party shall not copy, disclose, or use the Disclosing Party's Proprietary Information or any part thereof and shall return to the Disclosing Party or destroy, upon the Disclosing Party's request, all Proprietary Information provided by the Disclosing Party in tangible form, and all copies, photographs, reproductions, and all other duplications thereof, including any summaries, extracts and other information derived from the Proprietary Information, regardless of the form of media.

3. The Receiving Party shall take all reasonable measures to prevent unauthorized disclosure of the Proprietary Information and shall restrict access to the Proprietary Information to those employees, or employees of Affiliates, who have a need to know in the course of their duties. If the Receiving Party finds it necessary for the purpose set forth in Paragraph 1 above to disclose to a subcontractor or agent any Proprietary Information, such subcontractor or agent shall first agree in writing to comply with the provisions of this Agreement. For purposes of this Agreement, "Affiliate" shall mean any company or legal entity which (a) controls either directly or indirectly a Party, or (b) which is controlled directly or indirectly by such party, or (c) is directly or indirectly controlled by a company or entity which directly or indirectly controls such party. Control means the right to exercise fifty percent (50%) or more of the voting rights in the appointment of the directors or similar representatives of such company or entity.
4. Notwithstanding any of the other provisions herein, SCG will not disclose any Proprietary Information disclosed pursuant to this Agreement to any of its Affiliates not regulated by the CPUC without the prior written consent of Company.
5. All Proprietary Information disclosed hereunder shall be and remain the exclusive property of the Disclosing Party. This Agreement shall not be construed to grant to the Receiving Party any license or other rights to the Proprietary Information except as specifically noted herein.
6. The obligations set forth in this Agreement shall not apply to information that the Receiving Party can establish is:
  - a. Information, which is in the public domain as of the date of this Agreement or which later, enters the public domain from a source other than the Receiving Party.
  - b. Information which the Receiving Party has written evidence of knowing prior to the execution of this Agreement.
  - c. Information which the Receiving Party receives from a bona fide third party source not under any obligation of confidentiality.
  - d. Information approved for release by the Disclosing Party in writing.
  - e. Information, which is required by law (e.g., court order or governmental agency subpoena) to be disclosed. If either Party or any of its Representatives is required by applicable law, regulation or legal process (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Proprietary Information provided to it under this Agreement, such Party or its Representative will promptly notify the other Party of such requirement so that it may seek an appropriate protective order or elect, in its sole discretion, to grant a waiver of compliance with the provisions of this Agreement. If, in the absence of a protective order or the receipt of a waiver hereunder within a reasonable time after such notice, a Party or any of its Representatives is, in the reasonable opinion of such Party, compelled to disclose any Proprietary Information, then the disclosing Party may disclose only such of the Proprietary Information to the person

compelling disclosure as is required by law. The Party being forced to disclose any Proprietary Information will provide all commercially reasonable assistance to enable the other Party to obtain a protective order or other reliable assurance that the Proprietary Information will be accorded confidential treatment.

7. Notwithstanding anything to the contrary set forth herein:
  - a. Either Party may disclose to any governmental entity (including a court) or its representatives or other persons as required by such entity, the tax treatment and tax structure of any transaction arising at any time in connection with this Agreement or related hereto, as well as all materials provided to either Party of any kind (including opinions or other tax analyses) relating to the tax treatment or tax structure of such transaction.
  - b. SCG may provide Company's Proprietary Information to the California Public Utilities Commission ("CPUC") pursuant to Public Utilities Code Section 583, regardless whether the Company Confidential Information is formally requested and without notice to Company.
  - c. Company may provide SCG's Proprietary Information to the CPUC solely in connection with Company's submission to the CPUC of Company's application in response to the 2018 Solicitation for SB 1383 Dairy Pilot Projects, *provided* that, concurrently with such submission, Company shall satisfy the CPUC's administrative processes for submission of confidential information, as set forth in CPUC General Order No. 66-D.
8. If the Receiving Party breaches or defaults in the performance of any of its covenants contained herein or violates any of the restrictions set forth herein, the Disclosing Party shall be entitled to all remedies available at law or in equity. The parties acknowledge that the Proprietary Information is valuable and unique, and that damages would be an inadequate remedy for breach of this Agreement and the obligations of each party and its Representatives are specifically enforceable. Accordingly, the parties agree that in the event of a breach or threatened breach of this Agreement by either party, the disclosing party shall be entitled to seek an injunction preventing such breach, without the necessity of proving damages or posting any bond. Any such relief shall be in addition to, and not in lieu of, money damages or any other available legal or equitable remedy.
9. If either party employs attorneys (in-house and/or outside counsel) to enforce any rights arising out of or related to this Agreement, the prevailing party in such matter (as determined by the court) shall be entitled to receive its reasonable attorneys' fees, costs and disbursements.
10. This Agreement shall begin on the Effective Date and continue for period of two (2) years from the date of the last disclosure of Proprietary Information in connection herewith.
11. Neither this Agreement, nor the disclosure of Proprietary Information under this Agreement, nor the ongoing discussions and correspondence by the parties regarding the subject matter of this Agreement, shall constitute or imply any

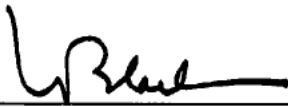
promise or intention to make any purchase or use of the services, products, facilities, real property or other assets of either party, or any commitment by either party with respect to any other present or future arrangement. If, in the future, the parties elect to enter into binding commitments relating to any of the matters stated herein, they must be stated in a separate executed written contract by the parties.

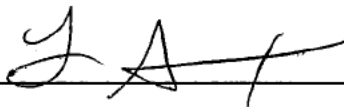
12. This Agreement shall be governed by and construed under the laws of the California, without reference to any principles on conflicts of laws. Any dispute between the parties arising under this Agreement shall be litigated solely in the state or federal courts located in the County of Los Angeles, State of California.
13. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior discussions, communications and agreements, both oral and written. This Agreement shall not be amended or modified except by an agreement or amendment in writing signed by both parties, and shall not be modified by course of performance, course of dealing, or usage of trade. No waiver of any right under this Agreement shall be deemed a subsequent waiver of the same right or any other right. To be effective, any waiver of the provisions hereof shall be in writing.

The authorized signatories of the parties have executed this Confidentiality Agreement as of the Effective Date.

**California Bioenergy LLC.**

**SOUTHERN CALIFORNIA GAS COMPANY**

By:   
Name: Neil Black  
Title: President  
Date: 4-27-18 as of 3-17-18

By:   
Name: Lisa Alexander  
Title: VP - Cust Sol, Comm & Env Sty  
Date: 4/30/18



**Lakeside Pipeline LLC**

Attachment A: California Producer Interconnection Agreement for SB 1383 (Form 6454)

CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT for SB 1383  
DAIRY PILOT PROJECT  
between  
Lakeside Pipeline LLC  
and  
SOUTHERN CALIFORNIA GAS COMPANY

This CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT (“Agreement”) is made and entered into by and between Lakeside Pipeline LLC, a California Limited Liability Company, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this 25th day of February 2019. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

**RECITALS**

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under Section 1(c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Interconnector has constructed or intends to construct and will operate its pipeline facilities to an Interconnection Point specified in Exhibits A and B attached hereto and incorporated herein by this reference (hereinafter referred to as “Interconnection Point”); and

WHEREAS, SoCalGas may construct facilities at the Interconnection Point subject to and conditioned upon the execution of a California Producer Interconnect Collectible System Upgrade Agreement with Interconnector concerning such facilities, terms of construction and cost responsibility for such facilities consistent with CPUC rules and regulations and attached as Exhibit C; and

WHEREAS, Senate Bill (“SB”) 1383 requires the CPUC, in consultation with the California Air Resources Board (“ARB”) and the California Department of Food and Agriculture (“CDFA”) (collectively, the “Selection Committee”), to direct utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys including the Lakeside – Maas Energy Works project herein; and

WHEREAS, the Parties desire to provide such facilities for the delivery to and receipt of natural gas by the SoCalGas system as set forth in this Agreement.

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

**SECTION 1**  
**SCOPE OF AGREEMENT**

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to provide facilities for the Interconnect Capacity from Interconnector's pipeline facilities near [REDACTED] to SoCalGas' existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector's Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to this Agreement and a California Producer Operational Balancing Agreement ("CPOBA") between the Parties, for the account of Interconnector or Interconnector's affiliate or third parties for transport on SoCalGas' pipeline system in California. This Agreement does not provide for or address in any way any right of Interconnector to receive transportation services on SoCalGas' system from the Interconnection Point. Attached hereto as Exhibit A, and incorporated by reference herein, is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B and incorporated by reference herein.

(b) Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in CPOBA, is effective as of the date first written above and shall remain in effect for a primary term of twenty (20) years from the date Gas first flows through the Interconnection Point (the "Commencement Date") and year to year thereafter.

(i) Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement including all costs for removal of SoCalGas' Facilities at the Interconnection Point and restoration of the site to its condition prior to the construction of the Interconnection Point.

(ii) SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector or in the event of a material default by Interconnector upon sixty (60) calendar days following Interconnector's receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

(iii) SoCalGas may terminate this Agreement on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete Interconnector's Facilities or SoCalGas' Facilities is not completed on or before [REDACTED]. Interconnector may terminate this Agreement with respect to only the Incremental Capacity on sixty (60) calendar days prior written notice in the event any pipeline system construction necessary to complete

***Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023***



Interconnector's Facilities for Incremental Capacity is not completed on or before [NOT APPLICABLE].

(c) Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

(i) "SoCalGas' Facilities" shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, including Btu district additions and enhancements, Biomethane Compression facilities, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the State of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) "CPUC" shall mean the Public Utilities Commission of the State of California.

(iii) "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas' tariffs, rules and other applicable regulations.

(iv) "In-Service Date" is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) "Interconnect Capacity" shall be the Biomethane Compression, metering and odorization daily capacity of SoCalGas' Facilities but is not necessarily the capacity of SoCalGas' pipeline facilities to transport Gas away from the Interconnection Point and is not, nor is it intended to be, any commitment by SoCalGas of takeaway capacity. The Interconnect Capacity shall be a minimum and maximum of [REDACTED] thousand Standard cubic feet per day (MScfD), respectively, unless changed by the written mutual agreement of the parties<sup>1</sup>.

(vi) "Interconnection Point" shall mean that point where SoCalGas' Facilities and Interconnector's Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) "Interconnector's Facilities" shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by an Interconnector up to the Interconnection Point.

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<sup>1</sup> SoCalGas' Facilities, except for the Compression Facility, have been designed for a maximum flow rate of [REDACTED] MScfD. Lakeside Pipeline LLC anticipates modifying the minimum and maximum flow rates to [REDACTED] MScfD and [REDACTED] MScfD respectively and will execute and fund the CPICSUA to accomplish this.

(viii) “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate CPOBAs or another separate agreement governing access to SoCalGas' system.

(ix) “Decision” shall refer to CPUC Decision 17-12-004.

(x) “Pilot Project” shall mean the Selection Committee Lakeside – Maas Energy Works project awarded through the SB 1383 Dairy Pilot Project proceeding R. 17-06-015.

(xi) “Pilot Project Capacity” shall be one thousand three hundred ninety-six (1,396) MScfD biomethane capacity to be delivered to the utility for pipeline injection as specified in the Selection Committee Lakeside – Maas Energy Works project awarded through the SB 1383 Dairy Pilot Project proceeding R. 17-06-015.

(xii) “Incremental Capacity” shall be zero (0) MScfD that is in addition to the Pilot Project Capacity and is based on dairies, collection lines and digesters that aren't part of the Pilot Project Capacity.

(xiii) “Incremental Capacity Cost” shall be the expenditures/investments related to the initial (Exhibit C, CPICSUA) interconnection of Interconnector's Facilities to SoCalGas' Facilities and subsequent Subsection 3 (b) Maintenance of Physical Facilities that are above and beyond those costs that would be incurred for the Pilot Project Capacity. SoCalGas shall determine the estimated and actual Incremental Capacity Cost generally on the principle that the Incremental Capacity would not increase costs and expenses unless larger size materials, than those required for the Pilot Project Capacity, are required to accommodate the Incremental Capacity. If larger materials are required, the Incremental Capacity Cost would increase material costs but not construction costs. The estimated Incremental Capacity Cost will be based on the difference between the estimated cost for the Pilot Project Capacity and the Interconnect Capacity. The actual Incremental Capacity cost will be calculated based on the actual costs of equipment and materials relative to the estimated costs and allocated on a proportional basis. For example, if the estimated Pilot Project Capacity and Interconnect Capacity material costs are \$80.00 and \$100.00, respectively, the estimated Incremental Capacity Cost is \$20.00 ( $\$100.00 - \$80.00 = \$20.00$ ). If the actual material costs are \$110.00, then the actual Pilot Project Capacity and Incremental Capacity costs are \$88.00 ( $\$110.00 * 80/(80+20)$ ) and \$22.00 ( $\$110.00 * 20/(80+20)$ ), respectively. Incremental Capacity operation and maintenance fees will be determined per Subsection 3(a) herein.

(xiv) “Pilot Project Term” shall be the primary term stated in Subsection 1 (b) herein.

(xv) “Biomethane Compression” shall be the compression facilities at the outlet of Interconnector's biogas conditioning facilities used to compress biomethane including units, valves, basic and advanced controls, for multiple modes of operation, etc.

(d) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on

Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

## **SECTION 2**

### **CONDITIONS PRECEDENT**

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Governmental Authorizations:

(i) Interconnector: - On or before [REDACTED], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction, if any, and operation of Interconnector's Facilities.

(ii) SoCalGas: On or before commencement of flows through the Interconnection Point, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) the proper approvals required for SoCalGas to dispense its duties under this Agreement from any other governmental or local agency, if necessary in SoCalGas' sole judgment.

(c) Interconnector Project Readiness – Prior to SoCalGas incurring significant costs by the procurement of materials and constructing SoCalGas' Facilities, Interconnector must demonstrate project readiness by providing proper documentation to show compliance with each of the requirements set forth in Exhibit D.

(d) Notification - Each Party shall notify the other in writing whenever in its sole opinion the foregoing conditions in Subsection 2(b) have been satisfied. Interconnector shall retain the right to waive in writing conditions 2(b)(ii), and SoCalGas shall retain the right to waive in writing conditions 2(b)(i).

(e) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days

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after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such forty-fifth (45th) day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(f) Cooperation - Each Party shall cooperate with the other Party as is reasonable under the circumstances, and keep the other Party advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

### **SECTION 3**

#### **OPERATION AND MAINTENANCE FEES**

(a) Fees – Interconnector shall pay, except for the Pilot Project Capacity during the Pilot Project Term, to SoCalGas each month an Operation and Maintenance Fee (“O&M Fee”), as determined from time to time by SoCalGas, associated with the operation and maintenance of the Biomethane Compression, metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas’ normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS, except for the Biomethane Compression costs.

(i) During the Pilot Project Term SoCalGas shall record and allocate the Pilot Project Capacity O&M Fee pursuant to the Decision.<sup>2</sup>

(ii) Incremental Capacity Costs - SoCalGas shall bill the Interconnector for the variable or usage costs that exceed the costs SoCalGas would not incur because of the Pilot Project Capacity. Typically, this would include odorant and Biomethane Compression variable costs.

1) Odorant Variable Costs – SoCalGas shall bill the Interconnector for the marginal usage or variable costs as follows: once the cumulative, actual delivery volume exceeds the Pilot Project Capacity [NOT APPLICABLE] MScf annual volume on a calendar year basis ([NOT APPLICABLE] MScf/D times 365), in the month following, and for all succeeding months in the calendar year, all costs shall be billed to the Interconnector. This calculation will restart each January 1.

2) Biomethane Compression Variable Costs – SoCalGas shall bill the Interconnector for the marginal usage or variable costs as follows: once the cumulative, actual delivery volume exceeds the Pilot Project Capacity [NOT APPLICABLE] MScf annual volume on a calendar year basis ([NOT APPLICABLE] MScf/D times 365), in the month following, and for all succeeding months in the calendar year, all costs shall be billed to the Interconnector. This calculation will restart each January 1

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<sup>2</sup> (D.)17-12-004, Appendix A, page 11, paragraph 1.

(iii) Biomethane Compression Costs – SoCalGas will track and record the costs to compress the renewable natural gas. The two cost components to operate compression equipment include: 1) electrical charges from the local electric utility, and 2) on-going equipment maintenance (e.g. - periodic inspections, drain and replace fluids, remove and replace filters, mechanical adjustments, periodic rebuilds, recordkeeping, etc.). SoCalGas shall bill the Interconnector for the Biomethane Compression costs except for the Pilot Project Capacity during the Pilot Project Term. During the Pilot Project Term, Incremental Capacity Biomethane Compression costs shall be billed per Subsection 3 (a) (ii) 2.

(iv) Electrical Service and Electricity Costs – Interconnector shall work with the electric utility to plan, coordinate and install an electrical drop to provide electrical service to SoCalGas' Facilities. Such work will be managed and funded by the Interconnector. SoCalGas will be the customer of record for a dedicated meter providing electrical service to SoCalGas' Facilities. SoCalGas will be responsible for procurement and installation of all electrical within SoCalGas' Facilities.

(v) After the Pilot Project Term - Interconnector shall pay to SoCalGas each month an O&M Fee, as determined from time to time by SoCalGas, associated with the operation and maintenance of the Biomethane Compression, metering equipment and other related facilities at the Interconnection Point that are owned and operated by SoCalGas necessary to accept Gas from Interconnector in accordance with good industry practice, SoCalGas' normal procedures and governmental regulations. The methodology for calculating, and process for billing, the O&M Fee is set forth in Rate Schedule No. G-CPS, except for the Biomethane Compression costs which will be separately billed based on actual costs, unless and until Schedule No. G-CPS includes these costs.

(b) Maintenance of Physical Facilities – At the Interconnection Point where SoCalGas owns and operates the Biomethane Compression, metering equipment and other related facilities, SoCalGas (i) shall have the right to replace or upgrade from time to time such equipment as is necessary to measure, regulate, odorize, monitor, control or otherwise effectuate deliveries of Gas volumes up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment necessary to transmit electronic measurement data on a current basis; (ii) shall install, at Interconnector's sole cost and expense and after giving notice to Interconnector, except during the Pilot Project Term, such additional equipment either new or upgraded from time to time, as it deems necessary in its sole judgment to have the capability to receive at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed), including equipment to receive electronic measurement data and equipment to odorize the Gas received at the Interconnection Point. The Interconnector shall have the right to review and to propose reasonable changes to any SoCalGas proposal or request to upgrade, replace, or enhance existing equipment so long as the Interconnector's proposed changes meet industry and SoCalGas' standards and applicable codes and do not delay implementation nor jeopardize timely safety and code compliance. SoCalGas is, however, under no obligation, expressed or implied, to accept such proposed changes. Disputes will be brought before the CPUC's Energy Division, which will resolve the issue in consultation with the CPUC's Consumer Protection and Safety Division.

(i) During the Pilot Project Term:

1) Pilot Project Capacity cost and expense shall be funded pursuant to the Decision and Incremental Capacity Cost differentiated from Pilot Capacity Cost as provided herein.

2) Incremental Capacity – Interconnector shall fund Incremental Capacity costs as provided herein.

(ii) Outside of the Pilot Project Term - all costs, Project and Incremental Capacity, shall be at Interconnector’s sole cost and expense per Subsection 3(b) herein.

(c) Statements - Statements and/or invoices shall be sent to Interconnector as set forth in Rate Schedule No. G-CPS plus Biomethane Compression costs as set forth herein, except for the Pilot Project Capacity costs during the Pilot Project Term.

#### **SECTION 4** **GAS DELIVERIES**

(a) Quality

(i) Right of Refusal: SoCalGas shall have the continuing right at any time in its sole discretion to monitor the quality of Gas tendered by Interconnector and, subject to the limitations stated in D.07-08-029 and D.10-09-001, to refuse to accept delivery of any Gas that does not meet SoCalGas’ Gas quality specifications, including its then current Tariff Rule 30 Gas quality specifications or other applicable regulation or Tariff Rule specifying Gas quality requirements or CPUC-approved specific deviation for the Interconnector. SoCalGas shall provide notice to Interconnector as soon as commercially practicable after any decision is made not to accept deliveries.

(ii) Gas Quality Monitoring and Enforcement: SoCalGas shall install, operate and maintain Facilities at Interconnector’s sole cost and expense, including necessary meters and equipment, identified in Exhibit A of Schedule No. G-CPS plus the Biomethane Compression facilities, for the purpose of compressing, measuring the volume and quality of all Gas delivered to SoCalGas, except during the Pilot Project Term.

1) Pilot Project Term - During the Pilot Project Term, Pilot Project Capacity cost and expense shall be funded pursuant to the Decision as set forth herein.

2) Incremental Capacity – If Interconnector elects and SoCalGas agrees to install Incremental Capacity, Interconnector shall provide measurement data to differentiate Incremental Capacity and Pilot Project Capacity biogas contributions for the purposes of determining each capacity’s individual compliance with the Pilot Project Capacity and any applicable SoCalGas Rule 39 monetary incentive biomethane flow requirements. The measurement shall be designed, installed and maintained pursuant to good industry practice.

Unless another methodology is otherwise agreed to by SoCalGas, in its sole discretion, Interconnector shall provide SoCalGas with the Pilot Project Capacity total and Incremental

Capacity total biogas hourly measurements, typical methane mole percent composition and the typical percent methane processing or bio-conditioning efficiency. For example, with a Pilot Project Capacity and Incremental Capacity biogas volumes of 80 and 20 MScf/H, each containing 60% methane mole percent and a 99% processing efficiency, the Pilot Project Capacity and Incremental Capacity biomethane content would be 47.5 and 11.9 MScf/H ( $80 * 60\% * 99\% = 47.5$  MScf/H Pilot Project Capacity and  $20 * 60\% * 99\% = 11.9$  MScf/H, respectively).

(iii) Change in Specifications: Nothing in this Agreement shall be deemed to prohibit Interconnector from challenging or seeking to modify any Gas quality specifications. If both Parties mutually agree to a deviation from the Gas quality tariff specifications or requirements for purposes of this Agreement, SoCalGas shall seek and obtain CPUC approval of such deviation by Advice Letter prior to incorporating and implementing such deviation as part of this Agreement.

(b) Uniform Flow - Interconnector shall to the extent feasible make deliveries of Gas at each of the Interconnection Point(s) at substantially uniform rates of flow during a particular flow day. If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service until such time appropriate actions have been taken to ensure compliance with this provision.

(c) Pressure - Interconnector shall deliver Gas to SoCalGas at the Interconnection Point at a delivery pressure sufficient to enter the SoCalGas system, but not more than the then current Maximum Allowable Operating Pressure (“MAOP”) of SoCalGas’ Facilities. SoCalGas shall provide the Interconnector with as much advance notice as is reasonably possible, but not less than ninety (90) calendar days’ notice for an increase in Interconnector’s maximum delivery pressure requirement and shall provide as much advance notice as is reasonably possible, but not less than forty-five (45) calendar days’ notice for a decrease in minimum delivery pressure requirement. Changes in Interconnector’s delivery pressure requirements resulting from force majeure events, emergency situations, or as a result of pipeline integrity inspections shall be exempt from these notification requirements. In the event the Interconnector cannot comply with the changes to maximum or minimum delivery pressure requirements within the above notice periods, the Interconnector shall inform SoCalGas of the reason for the delay ahead of time. If the reason for the delay in complying with the change in maximum or minimum delivery pressure requirement is reasonable, SoCalGas may, in its sole discretion, extend the date for complying with such change in delivery pressure requirements. If the reason for the delay is unreasonable, SoCalGas may proceed with the pressure change. Any dispute concerning SoCalGas’ action concerning the notice period may be brought to the CPUC’s attention pursuant to this Agreement.

(d) Metering – SoCalGas shall install equipment necessary to measure deliveries from Interconnector at the Interconnect Point. Interconnector may install or cause to be installed and operate check meters at its sole option and expense to check SoCalGas’ meters, but measurement of Gas for all purposes of and at all times under this Agreement shall be by SoCalGas’ meters. Any such check meters and equipment shall be installed so as not to interfere with the operation of the meters, measuring and any other equipment now existing or later installed by SoCalGas.

(e) Meter Maintenance – SoCalGas will perform scheduled meter accuracy testing and calibration of its metering facilities pursuant to SoCalGas’ standard practices, procedures and methods associated with the installed measurement equipment. The meter maintenance, testing and correction shall comply with the American Gas Association (AGA) Report 4A, Sample Contract Measurement Clause, Meter Facilities and applicable CPUC requirements. SoCalGas will also inspect/calibrate Gas meters to ensure conformance with manufacturer’s stated accuracy in a field application, where such conformance does not conflict with applicable local code ordinances or regulatory requirements. SoCalGas shall preserve the meter maintenance records for a period of at least three years. Interconnector or its duly authorized representative(s) shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with SoCalGas’ measuring equipment used in measuring deliveries from Interconnector to SoCalGas. SoCalGas shall give written, fax, or electronic mail notice to Interconnector prior to calibrating and testing. Except in the event of an emergency or operational necessity, such notice shall be given to Interconnector at least three (3) business days prior to any such activity. The records from such measuring equipment shall remain the property of SoCalGas, but upon request SoCalGas shall make available to Interconnector (and its representatives) copies of any such records and charts, together with calculations therefrom, for inspection and verification during normal business hours. SoCalGas will perform unscheduled and episodic tests of its measuring equipment upon Interconnector’s request, where such tests can be operationally executed, to verify metering integrity/accuracy. SoCalGas will perform such testing in a reasonable timeframe. If, as a result of any testing, it is determined that there has been a combined (meter and transmitters) error in measurement greater than one percent (1%) from National Institute of Standards and Technology (NIST) traceable secondary field standard(s), the Parties will adjust all prior periods back to the period where it can be mutually determined and agreed upon that the errors commenced. If such an agreement cannot be reached, then SoCalGas shall estimate the Gas deliveries and correct the reading to a zero (0) error for the period during which the meter was in use. In all cases of meter error, period adjustments for meter error may not exceed three years prior to the date on which the discovering party provides notice to the other party. When a Gas meter is calibrated/inspected, SoCalGas shall confirm, where applicable, that the meter accuracy/condition is within the meter manufacturer’s specifications for a field application and meets CPUC accuracy verification requirements. SoCalGas shall conduct such calibration and confirmation by using its NIST-traceable equipment, also known as its secondary field standards. If any Interconnector’s request for special calibration shows that the combined measurement error does not exceed one percent (1%), then the cost of such requested special calibration shall be borne by Interconnector. In the event that any test of the metering equipment yields a combined measurement error greater than one percent (1%), then the cost of such requested special test and subsequent calibration shall be borne by SoCalGas.

(f) Measurement Accuracy - The accuracy of all measuring equipment shall be verified and/or calibrated by SoCalGas according to SoCalGas’ recommended equipment maintenance schedules and using NIST traceable secondary standard equipment and transfer proving devices. Where meter manufacturer’s accuracy specifications and methods meet or exceed SoCalGas procedures and CPUC requirements for accuracy, SoCalGas will endeavor to provide calibration accuracy methodology and frequency conformance to such specifications. Electronic transmitters shall be calibrated if any verification/calibration point is found to be out of calibration in excess of plus or minus one-tenth of one percent ( $\pm 0.10\%$ ) of NIST traceable field calibration standards.



Additionally, transmitters shall be calibrated if a bias occurs in a single direction (either positive or negative) for a consecutive period of three (3) months (transmitters shall be calibrated, to remove this bias, in the third (3<sup>rd</sup>) month of this period). All electronic transmitter verifications and calibrations shall meet or exceed the requirements defined in applicable API and AGA standards and publications. SoCalGas reserves the right to adopt and migrate to revisions of such standards in a manner which is logistically practical and economically cost-effective for its operations, and which affords Interconnector the same consideration. SoCalGas will provide Interconnector six (6) months notice where such changes may impact operations, equipment energy calculations and/or costs. Conversely, SoCalGas will not contemporaneously adopt the latest revision to such standards at Interconnector's request or as any statutory interpretation of this Agreement without careful consideration of the foregoing. Where migration to standards revisions requested by Interconnector results in incremental SoCalGas equipment, processes, data systems, employee training or other resource allocations, Interconnector shall provide SoCalGas funding for any and all migration and implementation costs. SoCalGas shall make available to Interconnector on as current basis as reasonably feasible any electronic measurement data if compatible with Interconnector's electronic files (not "hard copy") that SoCalGas obtains related to Gas delivered at the Interconnection Point. The Parties recognize the value of implementing utilization of electronic measurement devices (to the extent they are recognized in the Gas industry as dependable, accurate and cost effective) and shall jointly cooperate to implement the installation of such devices, and sharing the data therefrom, to provide as current measurement information to each other as reasonable under the circumstances; however, no particular electronic measurement device or method of sharing of electronic data therefrom (on a real time basis or otherwise) shall be required unless mutually agreed. Each Party shall be responsible for the cost, compatibility and operation of its own measurement-related electronic systems.

(g) Measurement Calculation - The Mcf and Btu values determined by SoCalGas shall be utilized for the calculation of deliveries of Gas to SoCalGas, subject to any subsequent adjustments as provided above. Calculation of metered Gas volumes shall be performed in accordance with the most recent version of the applicable AGA standards and SoCalGas' measurement and billing procedures. The determination of Gas components shall be completed utilizing a Gas chromatograph approved by the CPUC and SoCalGas that will be linked to the flow-measuring device (completing real-time volume and energy calculations).

(h) Odorant - In the event that Gas delivered by Interconnector at the Interconnection Point is required by SoCalGas to be odorized, the odorant shall be a commercially available odorant blend agreed to by SoCalGas and the odorant concentration shall conform to DOT 192.625 and as otherwise required by SoCalGas. Interconnector shall provide SoCalGas a minimum of thirty (30) calendar days written notice prior to making any changes in the quality or quantity of odorant in the Gas stream.

(i) Suspension of Deliveries/Receipts –

(i) Either Party may suspend deliveries or receipts immediately, and at any time, in the event that:

1) there is any system or pipeline operations or other action or inaction, that could impair the safety or reliability of either Party's facilities or systems, or could impair the deliverability of the Gas to be delivered through the Interconnection Point, or would constitute a material default of this Agreement,

2) there is no CPOBA in effect governing the resolution of imbalances between the quantities of Gas confirmed and scheduled, and the quantities of Gas delivered, to the Interconnection Point, or

3) the CPUC, or any other administrative agency with jurisdiction over the subject matter hereof, materially changes, alters or modifies this Agreement, such that a Party is deprived of its benefits anticipated herein.

(ii) The Party suspending deliveries or receipts will provide notice to the other Party of such suspension and the cause, to the extent identifiable, as soon as commercially reasonable. In the event such suspension continues for a period of six (6) months without either resolution of the underlying situation, or a mutually agreed upon written plan of resolution, either Party may terminate this Agreement at any time thereafter upon providing an additional thirty (30) calendar days written notice.

## **SECTION 5** **ASSIGNMENT**

(a) Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(i) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(ii) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(iii) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

## **SECTION 6** **NOTICES**

(a) Form of Notice - All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also

be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

**Interconnector:**

Mailing Address: Lakeside Pipeline LLC  
3711 Meadow View Dr.  
Redding, CA 90062  
[REDACTED]  
Attn: Daryl Maas

Email Address: [REDACTED]

**SoCalGas:**

Mailing Address: Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
559-739-2307  
Attn: Ty Korenwinder

Email Address: [tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

**SECTION 7**  
**LIMITED WARRANTY**

(a) SoCalGas Services - SoCalGas warrants to Interconnector that any work performed by SoCalGas hereunder will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work. Interconnector disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its

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system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

## **SECTION 8** **INDEMNITY**

(a) **Indemnity** - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys' fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party's performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

(b) **Risk of Loss** - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector's Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on Interconnector's side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas' Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on SoCalGas' side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

## **SECTION 9** **DISPUTE RESOLUTION**

(a) **Disputes** - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

**SECTION 10**  
**MISCELLANEOUS**

(a) Choice of Law - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Compliance with Law - This Agreement and the terms and conditions herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

(c) Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) herein.

(d) Entire Agreement - This Agreement, the California Producer Interconnect Collectible System Upgrade Agreement for SB 1383 Dairy Pilot Project, the SB 1383 Dairy Pilot Project Funding Agreement, the CPOBA and the Confidentiality Agreement (effective date of March 17, 2018) between the Parties (the "Project Agreements") constitute the entire agreement between the Parties pertaining to the subject matter hereof, and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one of more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

(e) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(f) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity

or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

(g) Credit –

(i) Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

(ii) SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

(iii) In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

(iv) The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume creditworthiness on behalf of the Interconnector in accordance with the following provisions:

1) SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the "Guaranty") from the Guarantor.

2) The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector's creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 10(g)(v) is not received within fifteen (15) calendar days of SoCalGas' notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

(v) In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall

accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector's Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by the Natural Gas Intelligence ("NGI") (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

(h) No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

(i) Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

(j) Attorneys' Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.


(k) Regulation - This contract shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction.

(l) Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2(a), 2(b), 2(c), and so on.

(m) Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 7, 8 and 10 shall survive.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their authorized representatives as of the day and year first written above.

LAKESIDE PIPELINE LLC

  
\_\_\_\_\_

By: Daryl Maas

Title: CEO

Date: 2/28/19

SOUTHERN CALIFORNIA GAS COMPANY

  
\_\_\_\_\_

By: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019



**EXHIBIT A: INTERCONNECTOR'S FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

Lakeside Pipeline LLC

and

Southern California Gas Company

Dated: February 25, 2019

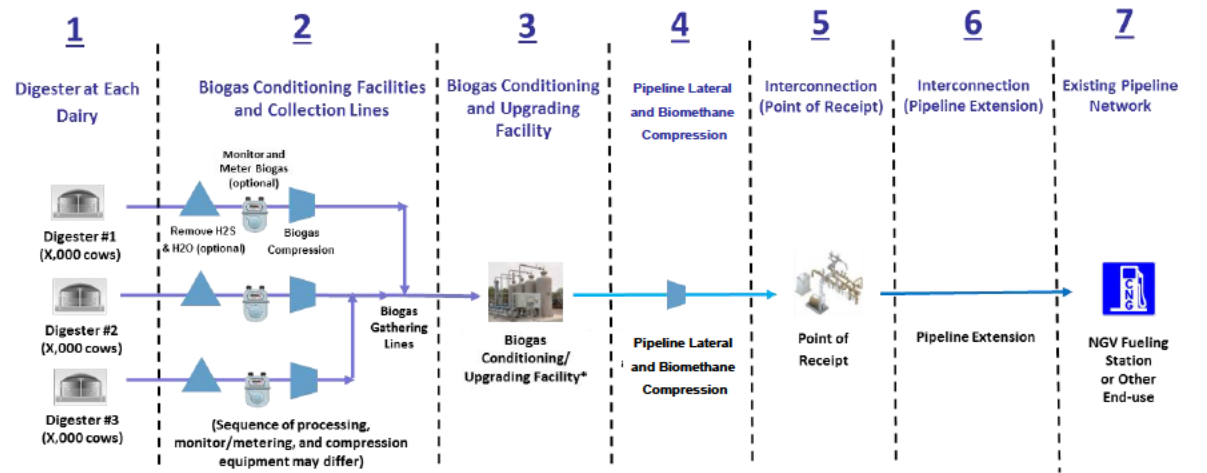
Interconnector's Facilities include the Gas pipeline facilities from the outlet of Interconnector's gas processing facilities located at or near [REDACTED] up to the Interconnection Point generally located on or near the property.

Interconnector shall ensure that all Interconnector Facilities are designed, installed, and tested per all applicable laws, regulations, codes and standards ("Applicable Laws") including, but not limited to the following:

- All applicable ASME piping standards
- All applicable State, County and City codes and standards
- All applicable US Federal and State of California, Occupational Safety and Health Administration (OSHA) Standards and Regulations
- As otherwise required in the Decision

Interconnector's upstream facilities shall be designed and operated in such a manner that they do not over pressure or otherwise exceed the maximum allowable operating pressure of SoCalGas' Facilities and meet the [REDACTED] psig minimum suction pressure of SoCalGas' Biomethane Compression.

Facilities upstream of Interconnector's Facilities include the collection pipelines and processing systems are generally described and depicted below in lanes or columns 1-3:



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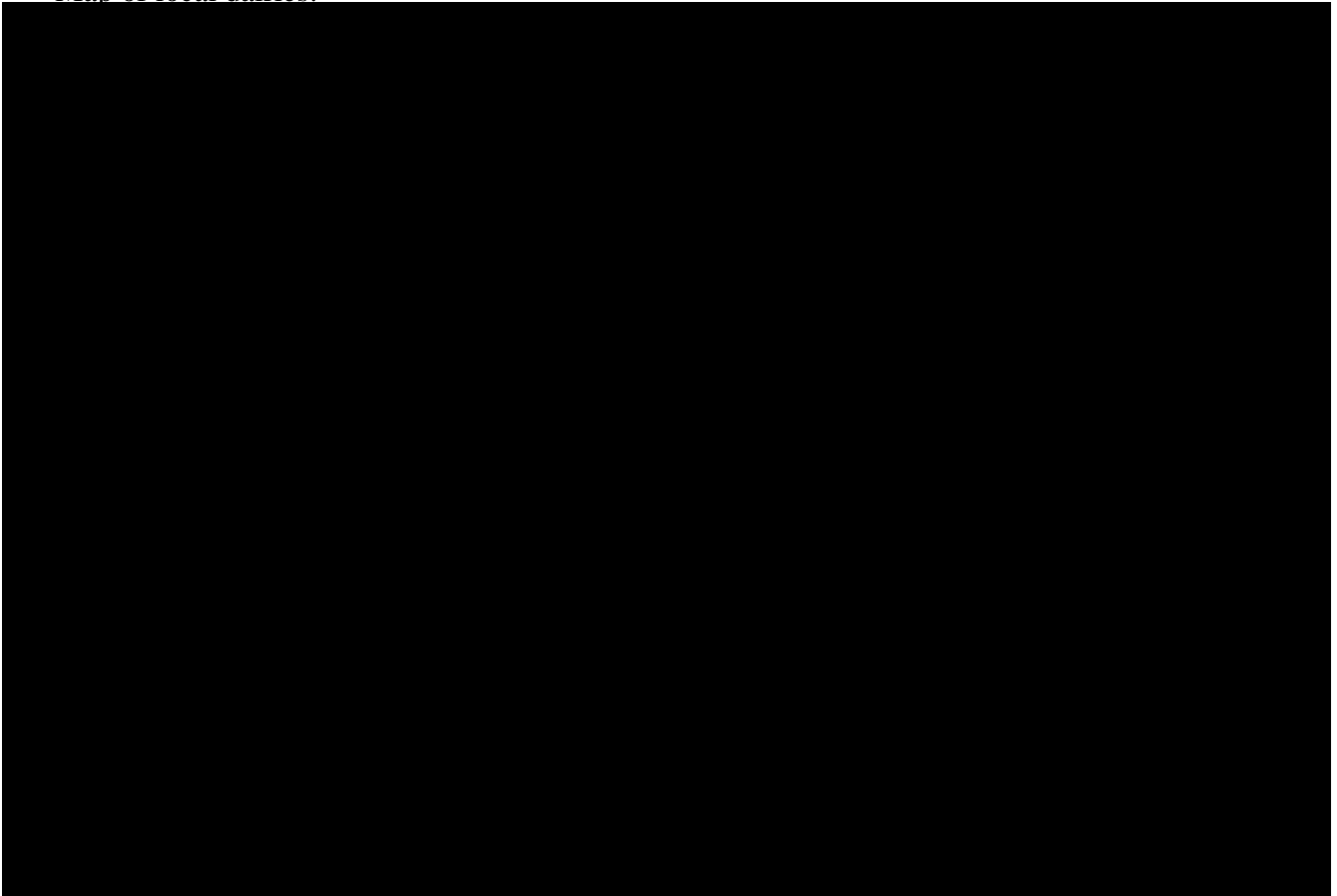
Covered lagoon digesters at various local dairies digest dairy manure to generate biogas that is pre-treated at each dairy to remove some gas constituents and transported to biogas cleanup equipment at Interconnectors centralized facility where the gas goes through further processing to meet SoCalGas Rule 30 gas quality specifications. The Rule 30 compliant processed gas / biomethane is delivered to SoCalGas' Biomethane Compression.

The local dairies supplying biogas to deliver the volume for the Pilot Project Capacity are as follows and any not listed are deemed to support Incremental Capacity:

<u>Dairy</u>	<u>Estimated Manure Equivalent Milkers</u>	<u>Estimated Biomethane (MScf/D)</u>
Decade Dairy with Richard Westra		
Clear Lake Dairy		
Dixie Creek Dairy		
Double L Cattle		
High Roller Dairy		
Lakeside Dairy		
Lone Oak Farms #1		
Poplar Lane Dairy		
River Ranch Farms		
Total		

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Map of local dairies:



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**EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

Lakeside Pipeline LLC

and

Southern California Gas Company

Dated: February 25, 2019

SoCalGas' Facilities, identified as Orifice Meter \_\_\_\_\_ (OM \_\_\_\_\_), are owned and operated by SoCalGas and include the Gas pipelines, Biomethane Compression, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system as generally depicted in the Meter Set Assembly for Lakeside Pipeline Interconnect Project diagram below and Schedule G-CPS Exhibit A (plus the Biomethane Compression).

The Interconnection Point and SoCalGas' Facilities start on Interconnector's property, at or near [REDACTED] in Hanford, California as generally shown below, and connect to SoCalGas' Biomethane Compression facility whose Maximum Operating Pressure ("MOP") is [REDACTED] psig. The biomethane will flow into SoCalGas' Supply Line 38-523.



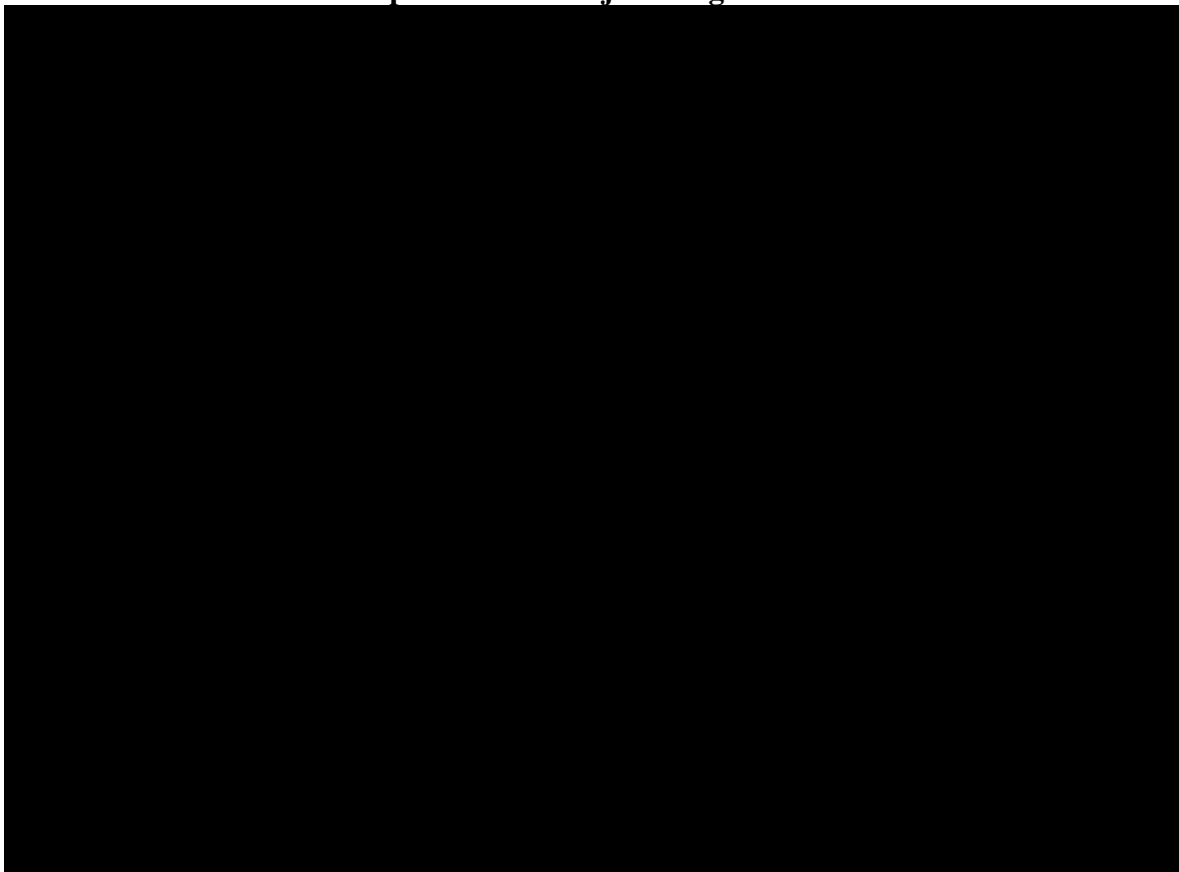
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Interconnection Point will be an electronically isolated flange at the end of Interconnector's Facilities and SoCalGas' Facilities inlet piping as generally depicted in the Lakeside Interconnect Project diagram below.

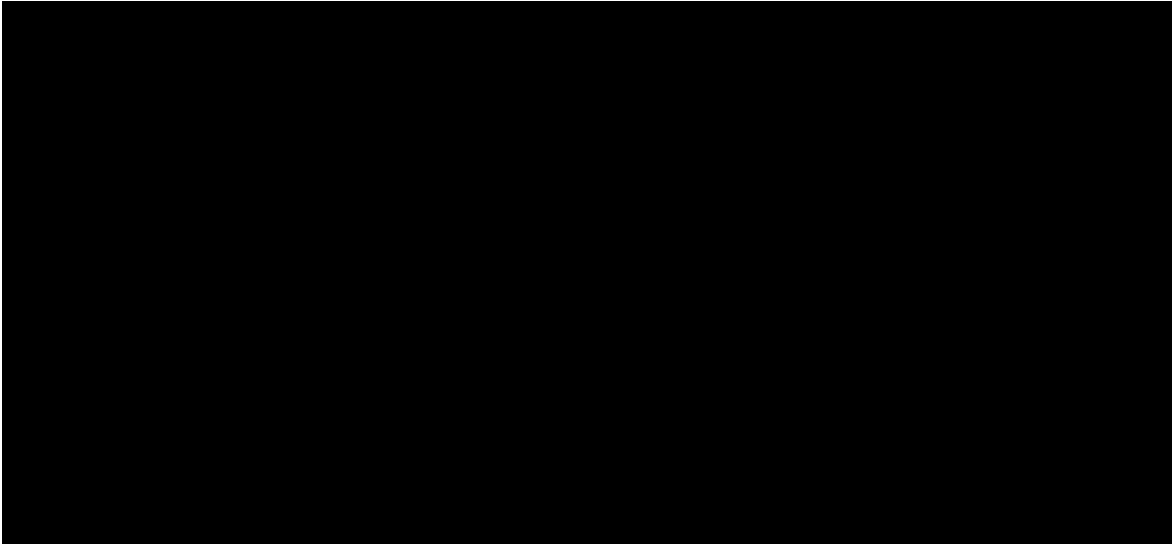
SoCalGas' Biomethane Compression will be designed for a minimum suction pressure of [REDACTED] [REDACTED] psig and a minimum volume of [REDACTED] MScfH.

SoCalGas measurement will be designed for a minimum two and two-tenths inch (2.2") and maximum three hundred twenty-seven inch (327") water column ("w.c.") differential on a sustained basis yielding a minimum volume of [REDACTED] and maximum of [REDACTED] MScfD, ratably delivered on an hourly basis of [REDACTED] and [REDACTED] MScfH, respectively. On a temporary basis, the measurement minimum is five-tenths of an inch (0.5") w.c. differential.

**Illustration of Lakeside Pipeline LLC Project Diagram:**

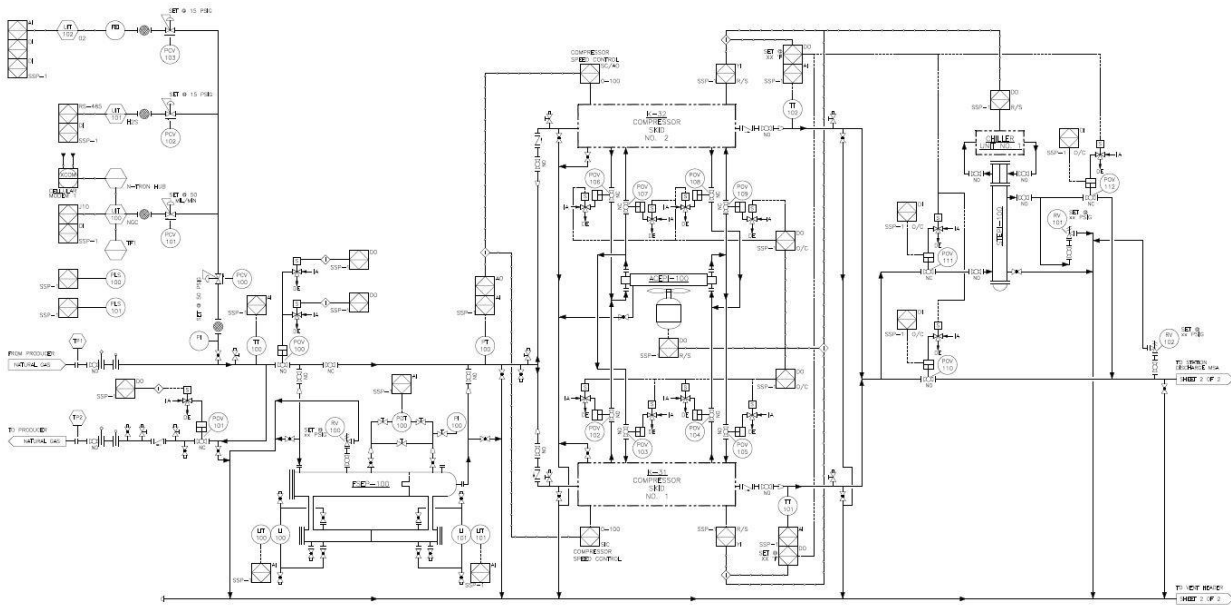
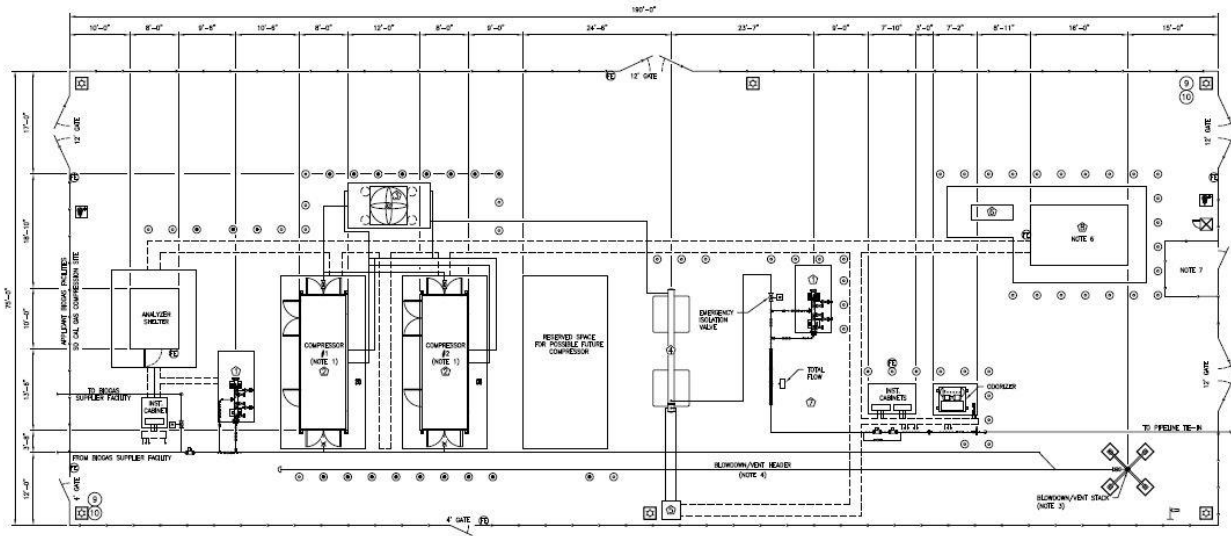


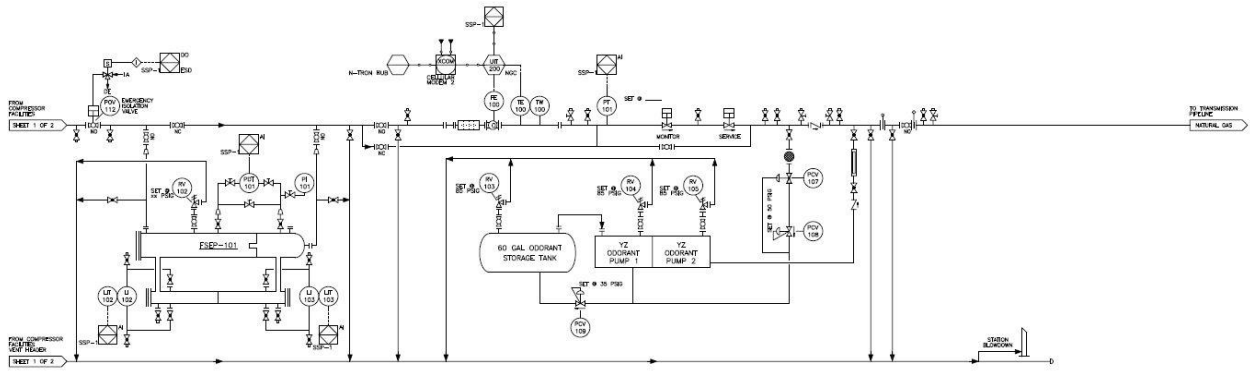
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***Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023***

# Illustrations of SoCalGas' Facilities:







**EXHIBIT D: INTERCONNECTOR DEMONSTRATION OF PROJECT READINESS**

**TO THE CALIFORNIA PRODUCER INTERCONNECTION AGREEMENT**

between

Lakeside Pipeline LLC

and

Southern California Gas Company

Dated: February 25, 2019

**CHECKLIST**

<b>COMMERCIAL</b>	
<input type="checkbox"/>	Project Funding Matrix (Executed)
	<ul style="list-style-type: none"><li>• Provided actual executed agreements with all investors</li><li>• Provide actual executed loan agreements from all lenders</li><li>• Updated Project Budget, including incorporation of the EPC definitive cost estimate, is within approved funding levels</li></ul>
<input type="checkbox"/>	Project Materials Supply Agreements Matrix
	<ul style="list-style-type: none"><li>• All feedstock (manure) supply agreements in place with each dairy with sufficient volume to support operations at full capacity</li><li>• All chemical or catalyst supply agreements are in place with sufficient volume to support operations at full capacity</li></ul>
<input type="checkbox"/>	Project Product Off-take Agreements Matrix
	<ul style="list-style-type: none"><li>• Identify primary partners/clients and projected RNG off-take volumes</li></ul>

<b>SITE</b>	
<input type="checkbox"/>	Civil Works and Site Plans Stamped by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Geotechnical evaluations – subsurface conditions accounted for in design and construction cost estimate</li> <li>• ALTA (American Land Title Association) Surveys</li> </ul>
<input type="checkbox"/>	Encroachment Permit List/Right of Way Agreements Matrix
	<ul style="list-style-type: none"> <li>• Interconnections (utilities, feedstock, product transportation) have been planned and mutually agreed upon by all associated parties (utility suppliers, feedstock providers, biogas to conditioning/sweetening system(s), etc.)</li> <li>• Identify which permits have been approved and agreements executed and indicate expected dates of completions for those still pending</li> </ul>
<input type="checkbox"/>	Site lease and/or purchase agreements executed for each location
<b>PROJECT</b>	
<input type="checkbox"/>	Project Execution Plan
<input type="checkbox"/>	Long Lead-time/Critical Equipment Issued Purchase Orders and Down Payments
<input type="checkbox"/>	Operations and Maintenance (O&M) Plan
	<ul style="list-style-type: none"> <li>• Overall approach strategy (3<sup>rd</sup> party service provider, self-perform, etc.)</li> <li>• Training and Staffing Plan</li> <li>• Spare parts plan</li> <li>• O&amp;M agreement with service provider(s)</li> </ul>

<b>TECHNOLOGY</b>	
<input type="checkbox"/>	Front End Engineering Design (FEED) Issued by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Process design complete for complete operations at full capacity, including digesters and conditioning/sweetening systems at each dairy, gathering lines, and upgrading plant <ul style="list-style-type: none"> <li>– Process and utility equipment specifications</li> <li>– Process flow diagrams (PFDs) and piping &amp; instrument diagrams (P&amp;IDs)</li> <li>– Mass and energy balance for overall process and each site and system/subsystem</li> <li>– Utility and balance-of-plant support requirements</li> </ul> </li> </ul>
<input type="checkbox"/>	Technical license agreements have been executed and all related fees and royalties are accounted for in capital and operating cost models

<b>ENVIRONMENTAL/REGULATORY</b>	
<input type="checkbox"/>	Project Permit List Matrix (with application status, durations, contacts, costs)
<input type="checkbox"/>	California Environmental Quality Act (CEQA) Determinations Report
	<ul style="list-style-type: none"> <li>• Environmental permit requirements under California Environmental Quality Act (CEQA) and other applicable guidelines and standards as well as local, State and Federal laws are fully identified</li> <li>• Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A of Exhibit 1)</li> </ul>
<input type="checkbox"/>	County Planning Approvals
<input type="checkbox"/>	California Air Resource Board Approvals
<input type="checkbox"/>	California State Water Resources Control Board Approvals
<input type="checkbox"/>	Office of the State Fire Marshal Approvals

<b>CONSTRUCTION</b>	
<input type="checkbox"/>	EPC Contractor Executed Agreement(s)
	<ul style="list-style-type: none"> <li>• Scope of work</li> <li>• Performance and schedule guarantees</li> <li>• Warranties</li> <li>• Acceptance criteria</li> <li>• Testing criteria</li> <li>• Liquidated damages</li> <li>• Startup/Commissioning</li> </ul>
<input type="checkbox"/>	Baseline Project Schedule

**Lakeside Pipeline LLC**

Attachment B: California Producer Interconnect Collectible System Upgrade Agreement  
for SB 1383 Dairy Pilot Project (Form 6456)

## EXHIBIT C

### CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM UPGRADE AGREEMENT for SB 1383 DAIRY PILOT PROJECT

This Agreement (“Agreement”) is entered into as of February 25, 2019 (“Effective Date”) by and between Southern California Gas Company (“SoCalGas”) and Lakeside Pipeline LLC, a California Limited Liability Company, a (“Interconnector”). SoCalGas and Interconnector may be referred to herein severally as a “Party,” or jointly as “Parties.”

WHEREAS, SoCalGas is a public utility regulated by the California Public Utilities Commission and is involved in the receipt and redelivery of natural gas to its customers; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, Senate Bill (“SB”) 1383 requires the CPUC, in consultation with the California Air Resources Board (“ARB”) and the California Department of Food and Agriculture (“CDFA”) (collectively, the “Selection Committee”), to direct Utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys including the Lakeside Pipeline project herein; and

WHEREAS, Interconnector is a dairy based biomethane developer and would benefit from SoCalGas being capable of receiving Gas at the Interconnection Point for redelivery to customers; and

NOW THEREFORE, in consideration of the promises and mutual undertakings set forth below, SoCalGas and Interconnector agree as follows:

#### **SECTION 1** **SCOPE OF AGREEMENT**

(a) Scope - This Agreement sets forth the terms and conditions under which SoCalGas agrees to design, engineer and construct Gas facilities including pipelines, Biomethane Compression, meters, regulators and appurtenant facilities and related system upgrades in order to provide the Interconnect Capacity from Interconnector’s pipeline facilities near [REDACTED] in Hanford, California to SoCalGas’ existing utility system. Such facilities, which include all facilities and equipment necessary for receipt of Interconnector’s Gas, shall permit Gas to be delivered by Interconnector to SoCalGas pursuant to the California Producer Interconnection Agreement (“CPIA”) and California Producer Operational Balancing Agreement (“CPOBA”) between the Parties dated February 25, 2019, for the account of itself or its affiliates or third parties for transport on SoCalGas’ pipeline system in California. Interconnector agrees to pay the actual costs for SoCalGas’ Facilities constructed by SoCalGas hereunder that are caused by

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Interconnector's Incremental Capacity. Payment by Interconnector does not imply that Interconnector is entitled to receive transportation services from the Interconnection Point under this Agreement. Attached hereto as Exhibit A and incorporated by reference herein is a map on which the Interconnector's Facilities are indicated generally. The Interconnection Point and SoCalGas' Facilities (see definition for each below) are indicated generally on the map attached hereto as Exhibit B and incorporated by reference herein.

(b) Definitions - For purposes of this Agreement defined terms shall the meaning set forth in the CPIA or as otherwise set forth below:

(i) "SoCalGas' Facilities" shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement including Btu district additions and enhancements, Biomethane Compression, other equipment and related system upgrades at and from the Interconnection Point, for receipt into SoCalGas' system in the state of California pursuant to this Agreement. SoCalGas' Facilities shall be owned and operated by SoCalGas.

(ii) "CPUC" shall mean the Public Utilities Commission of the State of California.

(iii) "Gas" shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas' tariffs, rules and other applicable regulations.

(iv) "In-Service Date" is that date when SoCalGas' Facilities from the Interconnection Point are operationally capable of utilizing the Interconnect Capacity on a continuous basis for Gas deliveries from Interconnector, and receipt thereof by SoCalGas at the Interconnection Point. This does not address whether the Interconnector has established the physical capability for the Interconnect Capacity at the Interconnection Point nor does it address whether SoCalGas has established the physical takeaway capability for the Interconnect Capacity downstream of the outlet of SoCalGas' Facilities at the Interconnection Point.

(v) "Interconnect Capacity" shall be as defined in the CPIA. Interconnect Capacity does not reflect SoCalGas' ability to provide takeaway capacity from the outlet of SoCalGas' Facilities at the Interconnection Point.

(vi) "Interconnection Point" shall mean that point where SoCalGas' Facilities and Interconnector's Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as set forth on Exhibit B.

(vii) "Interconnector's Facilities" shall mean those Gas pipeline facilities, as shown generally on Exhibit A, to be constructed and operated by Interconnector up to the Interconnection Point.

(c) Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the Federal Energy Regulatory Commission (FERC) under the Hinshaw Exemption. SoCalGas shall not be

required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

## **SECTION 2** **CONDITIONS PRECEDENT**

(a) Intent - This Agreement establishes the intent of the Parties that they shall attempt diligently, and cooperate with each other in good faith, to discharge promptly all conditions set forth in Subsection 2(b) prior to the dates specified below. In the event such conditions are not satisfied or waived by the date applicable thereto, this Agreement may be terminated as specified in Subsection 2(d).

(b) Conditions:

(i) Governmental Authorizations:

1. Interconnector: On or before [REDACTED], Interconnector shall have received and accepted from any and all applicable governmental entities all material authorizations necessary for the construction and operation of Interconnector's Facilities.

2. SoCalGas: On or before commencement of construction, SoCalGas shall have received and accepted: (1) from the CPUC, if necessary, authorizations approving this Agreement, and provided that such authorizations are, in the sole discretion of SoCalGas, acceptable to SoCalGas; and (2) from any other governmental or local agency, if necessary in SoCalGas' sole judgment, the proper approvals required for SoCalGas to dispense its duties under this Agreement.

(ii) Interconnector Commitments:

1) On or before commencement of construction, Interconnector shall have paid SoCalGas for SoCalGas' total estimated Incremental Capacity Cost related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

2) Prior to SoCalGas incurring significant costs, including but not limited to, procuring materials and constructing SoCalGas' Facilities, Interconnector shall provide adequate evidence and documentation to show the project is considered project ready pursuant to the CPIA Exhibit D Interconnector Demonstration of Project Readiness.

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(iii) SoCalGas Commitments: On or before commencement of construction, SoCalGas shall have accepted payment by Interconnector of the total estimated Incremental Capacity Cost related to the interconnection of Interconnector's Facilities to SoCalGas' Facilities as set forth in Section 3 (c) herein.

(c) Notification - Each Party shall notify the others in writing whenever in its sole opinion any of the foregoing conditions in Subsection 2 (b) have been satisfied. Interconnector shall retain the right to waive conditions 2(b)(i)(2) and SoCalGas shall retain the right to waive conditions 2(b)(i)(1) and 2(b)(ii) (but no such condition may be waived except in writing).

(d) Termination Conditions - In the event that any of the conditions in subsection 2(b) have not been satisfied or waived by all Parties by the date specified therein, the Parties shall meet within fifteen (15) calendar days following such date to discuss in good faith whether or not this Agreement can be restructured on a mutually satisfactory basis under the circumstances. In the event the Parties are unable to agree on such a restructuring within forty-five (45) calendar days after the first meeting on such matter, this Agreement may either (i) be extended up to an additional ninety (90) calendar days thereafter by mutual consent obtained on or before such 45th day, or (ii) be terminated if any Party, within fifteen (15) calendar days thereafter, gives ten (10) calendar days prior written notice; provided, however, such termination shall not become effective if such condition under Subsection 2(b) has been satisfied or waived prior to the effective date of such termination.

(e) Cooperation - Each Party shall cooperate with the other Parties as is reasonable under the circumstances, and keep the other Parties advised of all significant developments in connection with applying for or obtaining satisfaction of the conditions specified in Subsection 2(b).

(f) Termination Charges - In the event that this Agreement is terminated under Subsection 2(d), Interconnector shall pay SoCalGas the actual costs of that portion of SoCalGas' Facilities constructed to date plus any other costs already incurred and other unavoidable costs incurred or to be incurred by SoCalGas arising out of SoCalGas' performance pursuant to this Agreement for all Incremental Capacity.

### **SECTION 3** **CONSTRUCTION, PAYMENT, AND OPERATIONS**

(a) Description of Interconnection Facilities - Interconnector's Facilities shall interconnect with the SoCalGas' Facilities at the Interconnection Point. All deliveries of Gas by Interconnector to SoCalGas for transport shall occur at the Interconnection Point. All Interconnector's and SoCalGas' Facilities shall meet SoCalGas' minimum specifications for materials, installation, testing and acceptance.

(b) Installation of Facilities



(i) At the Interconnection Point, Interconnector shall install such piping, regulators, valves, separators, quality measurement, odorant or other equipment as the Parties mutually agree are necessary on the Interconnector's system to deliver at the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed) at a delivery pressure sufficient to enter the SoCalGas system at the Interconnection Point, but not to exceed the Maximum Allowable Operating Pressure ("MAOP"), as solely determined by SoCalGas. Interconnector shall also acquire the rights-of-way for SoCalGas' Facilities to SoCalGas' sole satisfaction.

(ii) SoCalGas shall design, engineer and acquire permits, if necessary, to construct, and install such piping, regulators, valves, meters, separators, quality measurement, odorant or other equipment, as it deems necessary to have the capability to measure, regulate, and receive from the Interconnection Point Gas volumes in an amount up to the Interconnect Capacity (or such other volume as mutually agreed).

(iii) No SoCalGas Facilities which are to be paid for by Interconnector shall be designed, engineered or constructed by SoCalGas without Interconnector's prior written approval of the total estimated cost, as set forth in Exhibit C. Interconnector acknowledges that the total estimated Incremental Capacity Cost is an estimate only and that Interconnector will be responsible for SoCalGas' actual costs including, but not limited to, its labor, procurement, permits and associated fees, indirect costs and internal overheads, of designing, engineering, installing and constructing any facilities described in Exhibit C, including any related income tax liability thereon, whether or not such costs are above or below advance payments made or detailed cost estimates provided to Interconnector by SoCalGas.

(iv) SoCalGas shall submit to Interconnector, as available from time to time, any proposal regarding the scope of services to be performed, and schedules for construction (including ordering materials) and estimated costs related to implementing such Interconnection Capacity as set forth in Exhibit C, based on the mutually agreed date projected as the In-Service Date (as determined in good faith from time to time).

(v) Interconnector shall, within a reasonable period of time given the nature of any such proposal, accept or reject any such proposal in writing.

(vi) Interconnector shall be solely responsible hereunder for any failure by SoCalGas to timely complete SoCalGas' Facilities at the Interconnection Point delaying the In-Service Date including all costs resulting therefrom, which failure is solely attributable to Interconnector's delay or refusal in approving any reasonable proposal by SoCalGas.

(vii) Prior to SoCalGas making any financial commitment hereunder, SoCalGas, in its sole discretion, shall be satisfied that Interconnector has the financial capability of performing fully any payment obligations to SoCalGas that may arise in connection therewith.

(viii) If the Interconnection Point or any related facilities are deemed noncompliant with any order, rule or regulation of any governmental agency as interpreted by SoCalGas, SoCalGas shall send Interconnector a notice of the noncompliance along with an

Incremental Capacity Cost estimate and scope of additional work for correction that would be done pursuant to the terms herein. The Interconnector shall have thirty (30) calendar days to respond to SoCalGas with payment of estimated costs for the specified remediation project. Failure by Interconnector to provide an acceptable response to SoCalGas shall result in a suspension of access at the Interconnection Point until such time as the identified issue is corrected to SoCalGas' satisfaction.

(c) Payment by Interconnector - Interconnector shall advance SoCalGas' total estimated Incremental Capacity Cost set forth within the scope of an approved Exhibit C, if applicable. After a final accounting has been made by SoCalGas but in no event later than [NOT APPLICABLE] Interconnector shall reimburse SoCalGas for its actual costs above the prepaid estimated costs, including indirect costs and overheads, carrying costs, designing, engineering, installing, permitting and constructing SoCalGas' Facilities set forth in an approved Exhibit C, and including any related income, CIAC, or other tax liability thereon, even if such costs are above cost estimates provided to Interconnector by SoCalGas within thirty (30) calendar days of invoice from SoCalGas. After a final accounting has been made by SoCalGas but in no event later than [NOT APPLICABLE] any advances paid, which are in excess of SoCalGas' actual costs, shall be returned to Interconnector.

(i) With respect to the Incremental Capacity Cost, Interconnector may request and SoCalGas shall agree to Interconnector's audit of the accounting records applicable to the construction of SoCalGas' Facilities for the Incremental Capacity at Interconnector's expense. Such audit must be conducted during the term hereof or for a period of up to one year after termination and by a certified public accountant.

(d) Interconnector Guaranty - In the event that on or before, [NOT APPLICABLE], the In-Service Date has not occurred, SoCalGas shall invoice Interconnector and Interconnector shall within ninety (90) calendar days following receipt of the invoice, reimburse SoCalGas for the actual Incremental Capacity Cost unpaid to date (including indirects, overheads, and carrying costs if applicable) of all SoCalGas' Facilities constructed and services provided pursuant to this Agreement.

(e) Coordination - The Parties shall cooperate together and establish such procedures as may be deemed appropriate by the Parties to coordinate the design, planning, construction and completion by the In-Service Date of Interconnector's and SoCalGas' Facilities at the Interconnection Point.

(f) General Indemnity - As between SoCalGas on the one hand, and Interconnector on the other hand, each Party shall be solely responsible for, and shall indemnify, defend and hold the other Party and its officers, shareholders, employees, agents, representatives, successors and assigns harmless from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, fines, damages, costs or expenses including without limitation, reasonable attorneys fees (including fees and disbursements of in-house and outside counsel) of any kind whatsoever to the extent resulting from the indemnifying Party's negligent performance of its obligations pursuant to this Agreement.

(g) Specific Indemnity - As to the actual “tying-in” of the respective facilities constructed by the Parties under this agreement, SoCalGas shall be solely responsible for performing the “tie-in”.

#### **SECTION 4** **ASSIGNMENT**

Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under the following circumstances:

(a) When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or

(b) When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or

(c) When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

#### **SECTION 5** **NOTICES**

(a) Form of Notice – All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

Interconnector:

Mailing Address: Lakeside Pipeline LLC  
3711 Meadow View Dr.  
Redding, CA 90062  
[REDACTED]  
Attn: Daryl Maas

Email Address: [REDACTED]

SoCalGas:

Mailing Address: Southern California Gas Company  
404 N Tipton St.  
Visalia, CA 93292  
559-739-2307  
Attn: Ty Korenwinder

Email Address: [tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

**SECTION 6**  
**LIMITED WARRANTY**

(a) Services - SoCalGas warrants to Interconnector that the work performed by SoCalGas will meet or exceed all generally accepted industry standards for this type of work. SoCalGas disclaims any other warranty, express or implied, and disclaims all implied warranties of fitness for intended purpose.

(b) Interconnector Services - Interconnector warrants to SoCalGas that any work performed by Interconnector hereunder will meet or exceed all generally accepted industry standards for this type of work.

(c) Limitation of Liability - The warranties expressly provided for above are in lieu of all other express or implied warranties. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement. In no event shall SoCalGas be liable for punitive, consequential, indirect, incidental, or special damages or for lost business or lost profits, whether under tort, breach of contract, strict liability, or any other theory, even if SoCalGas has been advised of the possibility of such damages.

*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*

**SECTION 7**  
**MISCELLANEOUS**

(a) Laws - The formation, interpretation and performance of this Agreement shall be governed by the internal laws of the State of California, without reference to principles of conflicts of laws.

(b) Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. In the event of a delay caused by a force majeure event, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

(c) Entire Agreement - This Agreement, the CPIA, the SB 1383 Dairy Pilot Project Funding Agreement, the CPOBA and the Confidentiality Agreement (effective date of March 17, 2018) between the Parties (the "Project Agreements") constitute the entire agreement between the Parties pertaining to the subject matter hereof, and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one or more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

(d) Execution of Documents - Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably necessary to carry out the terms of this Agreement.

(e) Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

(f) Disputes - Any dispute or need for interpretation arising out of this Agreement, which cannot be resolved after a reasonable period of time of good faith negotiation, will be submitted to the CPUC for resolution.

(g) Term - This Agreement shall become effective on the Effective Date provided at the beginning of this Agreement and, unless terminated earlier, continue until the later of the "In

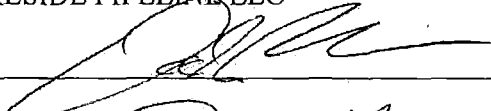
Service Date” for Interconnector’s Facilities or the date upon which the Parties’ obligations under this Agreement have been fulfilled.

(h) Attorneys’ Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.


(i) Regulation - SoCalGas is a California utility subject to the jurisdiction of the CPUC. In the event the CPUC, or any other administration agency with jurisdiction over the subject matter hereof, materially change, alter or modify this Agreement, such that a party is deprived of its benefits anticipated herein such Party may terminate this Agreement upon 15 calendar days notice or immediately if necessary to comply. In such event Interconnector remains liable for payment of those costs incurred by SoCalGas pursuant to any approved Exhibit B up to such date.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their authorized representatives as of the day and year first written above.

LAKESIDE PIPELINE LLC

By:   
Name: Darryl Meas  
Title: CEO  
Date: 2/28/19

SOUTHERN CALIFORNIA GAS COMPANY

By:   
Name: Sharon Tomkins  
Title: Vice President - Customer Solutions and Strategy  
Date: 03/04/2019

**EXHIBIT A: INTERCONNECTOR'S FACILITIES**

**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM  
UPGRADE AGREEMENT**

between

Lakeside Pipeline LLC

and

Southern California Gas Company

Dated: February 25, 2019

Interconnector's Facilities are defined in the CPIA Exhibit A.



**EXHIBIT B: INTERCONNECTION POINT AND SOCALGAS' FACILITIES**  
**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM**  
**UPGRADE AGREEMENT**

between  
Lakeside Pipeline LLC  
and  
Southern California Gas Company  
Dated: February 25, 2019

Interconnector's Facilities and SoCalGas' Facilities are identified in the CPIA Exhibit B.

**EXHIBIT C: SCOPE OF SERVICES**

**TO THE CALIFORNIA PRODUCER INTERCONNECT COLLECTIBLE SYSTEM  
UPGRADE AGREEMENT**

between  
Lakeside Pipeline LLC  
and  
Southern California Gas Company  
Dated: February 25, 2019

Interconnector requests SoCalGas to complete the design, engineering, procurement and construction, commissioning activities described herein, for the installation of SoCalGas' Facilities located at or near [REDACTED] to accommodate Interconnector's Rule 30 compliant Gas deliveries, ranging from a minimum to a maximum of [REDACTED] thousand standard cubic feet per day (MScfD), respectively, delivered at a one-twenty-fourth (1/24) hourly equivalent rate ("Scope of Services").

SoCalGas shall fund the Table A: Pilot Project Capacity SoCalGas' Facilities Authorized Bid Amount per the Decision and this Agreement.

SoCalGas shall invoice Interconnector the estimated Table B: SoCalGas' Facilities Incremental Capacity Cost Incremental Capacity Cost of \$0 for this component of the Scope of Services ("Estimated Costs"). The invoice shall also include, to the extent they are taxable to SoCalGas, an estimate of the applicable Income Tax Component of Contributions and Advances ("ITCCA") for the capital portion of all contributions and advances by Interconnector.

Table A: Pilot Project Capacity SoCalGas' Facilities Authorized Bid Amount based on 57.6 MScfH

Scope	Total Installed Cost	Annual O&M
Pipeline Lateral and Biomethane Compression	[REDACTED]	[REDACTED]
Interconnection (Point of Receipt)	[REDACTED]	[REDACTED]
Pipeline Extension	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

Table B: SoCalGas' Facilities Incremental Capacity Cost

Scope	Total Installed Cost
Pipeline Lateral and Biomethane Compression	\$0
Interconnection (Point of Receipt)	\$0
Pipeline Extension	\$0
Total	\$0

At Interconnector's request and for informational purposes only, SoCalGas has categorized, in the Table B above, SoCalGas' Incremental Capacity Cost estimate into pipeline lateral and Biomethane Compression, Interconnection Point, and pipeline extension.

*\*All cost estimates expire upon the earlier of ninety (90) calendar days after the date sent by SoCalGas or the otherwise stated expiration date or condition(s).*

*Interconnector acknowledges and agrees that estimated costs and timeline for the services to be provided under this Agreement, including the In-Service Date, are subject to change and may be impacted by additional interconnection requirements and conditions including, but not limited to, availability of materials and contractors, unforeseen permitting, environmental, or construction requirements, and/or other legal, regulatory or Interconnector actions or contractual requirements that may cause delay, such as Interconnector's failure to (i) execute all necessary agreements, (ii) provide requested information, (iii) fund invoices, and (iv) obtain necessary governmental authorizations or approvals and permits necessary for SoCalGas Facilities, and/or (v) SoCalGas' acceptance of Installment Payments at Interconnector's request.*

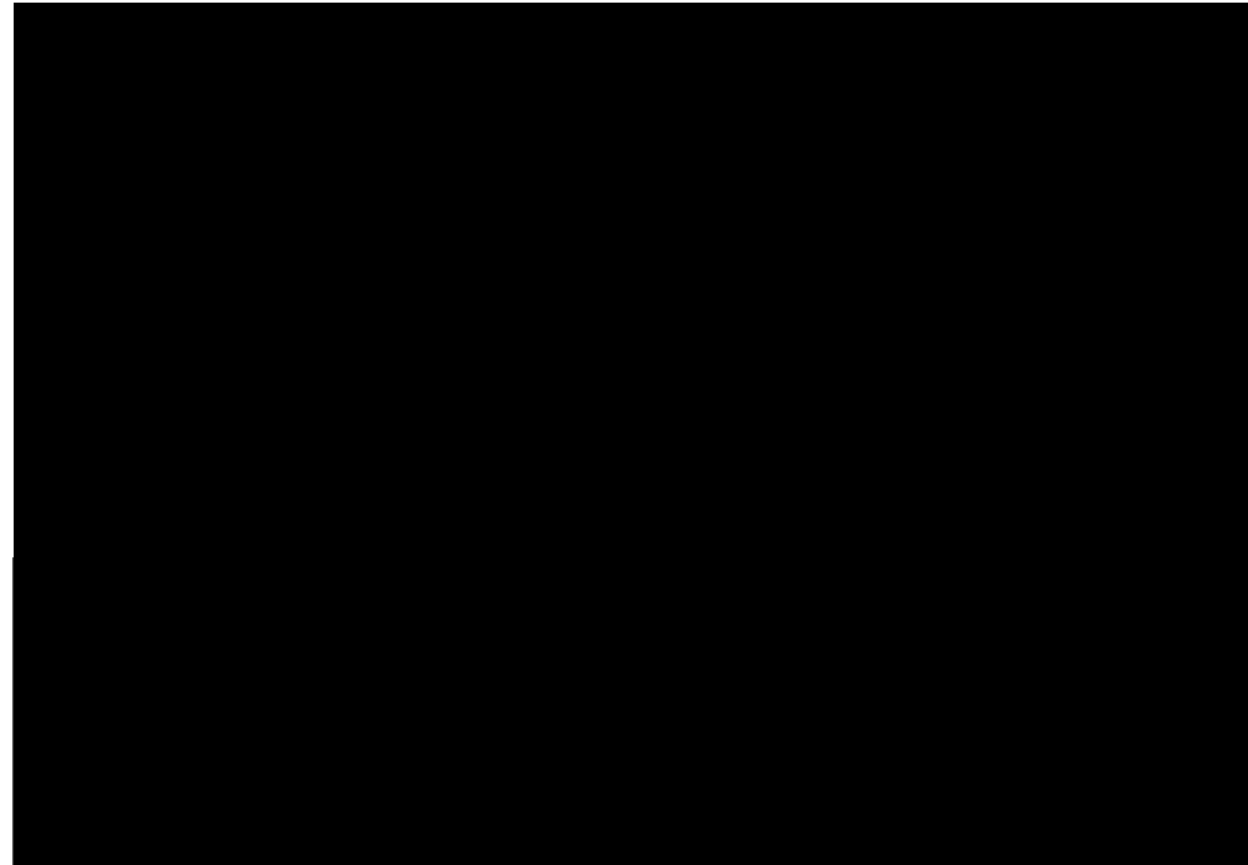
*SoCalGas explicitly makes no representations or warranties concerning its ability to meet the Scope of Services targeted completion dates and shall not be liable for any cost or damage incurred by Interconnector because of any delay in the work provided for in this Agreement.*

**Exhibit C-1: PROJECT SCHEDULE**

**Interconnector Schedule**



**SoCalGas Schedule**



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**Lakeside Pipeline LLC**

Attachment C: California Producer Operational Balancing Agreement (Form 6452)

CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT

between  
Lakeside Pipeline LLC  
and  
SOUTHERN CALIFORNIA GAS COMPANY

THIS CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT (“Agreement”) is made and entered into by and between Lakeside Pipeline LLC, a California Limited Liability Company, hereinafter referred to as “Interconnector,” and SOUTHERN CALIFORNIA GAS COMPANY, a California corporation, hereinafter referred to as “SoCalGas,” this 25th day of February 2019. Interconnector and SoCalGas shall also be hereinafter referred to individually as “Party” and jointly as the “Parties.”

**RECITALS**

WHEREAS, SoCalGas is a “gas utility” as defined in the Public Utilities Code of the State of California and is subject to the jurisdiction of the California Public Utilities Commission (“CPUC”), is a “Hinshaw” pipeline exempt from the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) under section 1 (c) of the Natural Gas Act and is a “local distribution company” served by interstate pipelines within the meaning of Sections 2(17) and 311 of the Natural Gas Policy Act of 1978 and the Regulations of the FERC thereunder; and

WHEREAS, Interconnector owns and controls natural gas which is capable of being physically delivered into SoCalGas’ pipeline system within the State of California; and

WHEREAS, the Parties desire to provide for the delivery to, and receipt of, natural gas by the SoCalGas system as set forth in this Agreement and the California Producer Interconnection Agreement; and

WHEREAS, Interconnector and/or SoCalGas have entered, or may enter, into one or more agreements with third party Service Requesters (hereinafter referred to as “Service Requester(s)”) for the transportation of Gas to the delivery point Interconnection Point(s) or from the receipt point Interconnection Point(s) on their respective systems as shown in Exhibit 1 (said agreements hereinafter referred to as “Service Requester Agreements”); and

WHEREAS, from time to time, the quantities of Gas confirmed and scheduled by the Parties to be delivered to, or received at, the Interconnection Point (said quantities hereinafter referred to as the “Scheduled Quantities”) may be greater or less than the quantities of Gas which are actually delivered at the Interconnection Point, resulting in over- or under-deliveries relative to Scheduled Quantities; and

WHEREAS, the Parties desire to implement this Agreement in order to facilitate more efficient operations, accounting, and systems management at the Interconnection Point and on the SoCalGas system, and to provide for certain terms and conditions under which Gas will be

delivered by Interconnector and accepted by SoCalGas, for the account of Service Requester(s) and/or their designees at the Interconnection Point.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Parties agree as follows:

## **SECTION I** **SCOPE OF AGREEMENT**

1.1 Scope – This Agreement sets forth the terms and conditions governing the treatment of Operational Imbalances at the Interconnection Point between the pipeline facilities that have been constructed or will be constructed at such Interconnection Point by SoCalGas and Interconnector for all Gas delivered by Interconnector to SoCalGas for the account of itself or its affiliates or third parties at the Interconnection Point as set forth below and incorporating herein the provisions of the Recitals above. The Parties have or will have executed the California Producer Interconnection Agreement, and its execution and performance is a condition precedent to the obligations herein. No action or inaction of SoCalGas will or shall relieve Interconnector of this obligation.

1.2 Term and Termination – This Agreement, unless terminated earlier as provided in this Agreement and/or in the California Producer Interconnection Agreement, is effective as of the date first written above and shall remain in effect for a primary term of twenty (20) years from the date Gas first flows through the Interconnection Point (the “Commencement Date”), and year to year thereafter.

1.2.1 Interconnector may terminate this Agreement for any reason upon sixty (60) calendar days prior written notice to SoCalGas, provided that Interconnector has met all financial obligations to SoCalGas under this Agreement.

1.2.2 SoCalGas may terminate this Agreement at the end of the primary term of this Agreement or thereafter by providing sixty (60) calendar days prior written notice to Interconnector, or in the event of a material default by Interconnector, upon sixty (60) calendar days following Interconnector’s receipt of a written detailed notice from SoCalGas of such default that has not been cured. If Interconnector requires installing new equipment and/or modifying existing equipment (other than that for meeting Gas quality) in order to cure the default, then SoCalGas, at its sole discretion, will grant Interconnector an additional period of opportunity to cure such default.

1.2.3 In the event the California Producer Interconnection Agreement has not been fully executed by February 25, 2019, or any pipeline system construction that is necessary to begin Gas deliveries or

receipts at the Interconnection Point is not completed on or before [REDACTED] or Gas flows substantially equal to the design volumes have not commenced within one hundred eighty (180) calendar days of completion of the interconnection, SoCalGas may terminate this Agreement with sixty (60) calendar days prior written notice.

1.3 Definitions - For purposes of this Agreement the following words when used herein shall have the meaning set forth below:

- 1.3.1 “Interconnector’s Facilities” shall mean those Gas pipeline facilities as defined in the California Producer Interconnection Agreement.
- 1.3.2 “California Producer Interconnection Agreement” shall mean an agreement executed between the Parties that provides the terms and conditions governing the operations at the Interconnection Point between Interconnector’s Facilities and SoCalGas’ Facilities.
- 1.3.3 “Gas” shall mean any mixture of hydrocarbons or of hydrocarbons and non-combustible gases, in a gaseous state, consisting essentially of methane, that is of general merchantable quality and meeting the quality specifications of SoCalGas’ tariffs, rules and other applicable regulations.
- 1.3.4 “Interconnect Capacity” shall be as defined in the California Producer Interconnection Agreement.
- 1.3.5 “Interconnection Point” shall mean that point where SoCalGas’ Facilities and Interconnector’s Facilities physically interconnect for delivery of Gas by Interconnector to, and receipt thereof by, SoCalGas as described in the California Producer Interconnection Agreement. The location of the Interconnection Point is described in Exhibit 3.
- 1.3.6 “SoCalGas’ Facilities” shall mean the Gas pipelines, appurtenant facilities, meters, regulators, quality measurement, other equipment and related system upgrades at and from the Interconnection Point as defined in the California Producer Interconnection Agreement, for receipt into SoCalGas’ system in the State of California pursuant to this Agreement. SoCalGas’ Facilities shall be owned and operated by SoCalGas and are generally set forth in Exhibit 2.
- 1.3.7 “Operational Imbalance” shall mean actual physical deliveries of Gas less Gas quantities that are scheduled to be delivered. Therefore, Operational Imbalance shall be positive for over-deliveries, i.e., deliveries greater than scheduled deliveries.

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Operational Imbalance shall be negative for under-deliveries, i.e., deliveries less than Scheduled Quantities.

1.3.8 “OFO Day” shall mean any Gas flow day for which SoCalGas calls an OFO as described in Rule 30.

1.3.9 “Split Meter” shall mean a single meter through which Gas produced by two or more California Producers flows into the SoCalGas system under separate California Producer Interconnection Agreements and separate California Producer Operational Balancing Agreements or another agreement governing access to SoCalGas' system.

#### 1.4 Regulatory Jurisdiction

1.4.1 Hinshaw Exemption - SoCalGas is exempt from jurisdiction of the FERC under the Hinshaw Exemption. SoCalGas shall not be required to take any action hereunder, including without limitation to enter into any contracts with third parties transporting Gas on Interconnector's Facilities to the Interconnection Point, which for any reason jeopardizes or in SoCalGas' sole opinion could reasonably raise a question regarding SoCalGas' retention of its Hinshaw Exemption under the Natural Gas Act (15 U.S.C. §717(c)). While SoCalGas has the right and obligation to take action to protect its Hinshaw Exemption status, SoCalGas shall notify the Interconnector as soon as SoCalGas becomes aware that any action under the Agreement jeopardizes its Hinshaw Exemption. SoCalGas shall make a good faith effort to allow the Interconnector an opportunity to take such actions as necessary to assist SoCalGas in eliminating the concern.

1.4.2 FERC Jurisdiction - This Agreement is entered into by the Parties with the understanding that the balancing activities provided for hereunder will not subject any non-jurisdictional entity to regulation by the FERC as a “natural gas company” under the provisions of the Natural Gas Act. If, at any time, it is determined by FERC that such balancing activities do result in such regulation, then either Party may immediately terminate this Agreement by providing written notice to the other Party, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

1.4.3 CPUC Jurisdiction – If the CPUC or any other regulatory body, at any time, shall assert that Interconnector as a result of delivery of

Gas hereunder, is a public utility or subject to regulation as such or that such regulatory body may prevent SoCalGas from complying with this Agreement in any respect, then within thirty (30) calendar days of such assertion either Party may, upon written notice to the other Party, terminate this Agreement effective thirty (30) calendar days after such written notice, except that it shall survive in those particulars required to resolve any remaining Operational Imbalance which shall be resolved by the Parties within thirty (30) calendar days after termination of this Agreement, pursuant to this Agreement.

## **SECTION II** **SCHEDULING**

2.1 Nominations, Confirmations and Scheduling - Prior to the date and time of flow at the Interconnection Point, the Parties shall nominate, confirm and schedule volumes of Gas which will be delivered or received at the Interconnection Point. Such nominations and confirmations between the Parties shall be made electronically or in writing, unless otherwise mutually agreed to by the Parties. Such nominations, confirmations and scheduling by the Interconnector will be in compliance with the North American Energy Standards Board (“NAESB”) standards and SoCalGas protocols. If Interconnectors’ Gas is delivered through a Split Meter, then one of the California Producers delivering Gas through that Split Meter shall be designated as the Interconnection Point operator who shall provide SoCalGas, in writing, with the Split-Meter allocation for that particular Split Meter within seven (7) calendar days after each non-OFO Day and within one (1) business day after each OFO Day. If the Split-Meter allocation is not provided by the Interconnection Point operator by the close of business (5:00 P.M. Pacific Clock Time) on the applicable day, then the last Split-Meter allocation provided by the Interconnection Point operator shall be used.

2.2 Operational Imbalance and Cash-Out – Interconnector shall to the extent feasible make deliveries of Gas at the Interconnection Point at substantially uniform rates of flow during a particular flow day. Any Operational Imbalance outside of the Tolerance Band (as defined in Subsection 2.2.1) created will be the responsibility of the Interconnector to eliminate pursuant to this Agreement. For Gas accounting purposes, all daily Scheduled Quantities as scheduled for flow day shall be deemed to be delivered regardless of the actual volume of Gas delivered. Any Operational Imbalance outside of the Tolerance Band shall be eliminated as soon as practicable, using the same Interconnection Point, by mutually agreeable arrangements between Interconnector and SoCalGas.

2.2.1 Non-OFO Days - If, at any Interconnection Point, the cumulative Operational Imbalance is outside the tolerance band of plus or minus ten percent ( $\pm 10\%$ ) of seven (7) days of Interconnect Capacity expressed in decatherms [REDACTED] (“Tolerance Band”), the following flow day shall begin an Operational Imbalance payback period

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(hereinafter “Payback Period”) not to exceed fourteen (14) calendar days. The 14-day Payback Period for an Operational Imbalance resulting from a Split Meter shall begin on the flow day after the date the Operational Imbalance allocation is finalized by SoCalGas. An Operational Imbalance shall be deemed to be finalized when the Operational Imbalance is posted by SoCalGas on its Electronic Bulletin Board (“EBB”) and designated as such. The Payback Period will be used to bring the cumulative Operational Imbalance that occurred before and during the Payback Period within the Tolerance Band. During the 14-day Payback Period, the Interconnector may also trade any Operational Imbalances, accruing to or caused by Interconnector, with other Interconnector(s) with an effective California Producer Operational Balancing Agreement (“Trading Partner”). A trade will not be confirmed by SoCalGas if the trade would cause the Trading Partner’s Operational Imbalance to go outside its Tolerance Band. The Interconnector may trade Operational Imbalance quantities up to a maximum of its cumulative Operational Imbalance including quantities outside of its own Tolerance Band and those quantities within its own Tolerance Band. SoCalGas will verify each such trade on the next business day and make appropriate quantity adjustments to the associated accounts on that day. When the cumulative Operational Imbalance is no longer outside the Tolerance Band, the Payback Period will cease. If at the end of the Payback Period any positive Operational Imbalance (over-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by SoCalGas to Interconnector at the rate set forth in Schedule No. G-CPS. If at the end of the Payback Period any negative Operational Imbalance (under-deliveries) outside of the Tolerance Band still remains, then it will be subject to a cash-out paid by Interconnector to SoCalGas at the rate set forth in Schedule No. G-CPS. The Parties may mutually agree to waive the balancing provisions of this Agreement and to permit an Operational Imbalance to arise, in which case such imbalance shall be reduced to, or below, a specified Dth level as soon as practicable according to a mutually agreed upon schedule.

- 2.2.2 Split Metering – Financial responsibilities for any resulting imbalance cash-out payments, including any cash-out payments for imbalances on OFO Days, and credit requirements shall belong individually to each California Producer (as described in its own California Producer Operational Balancing Agreement or another agreement governing access to SoCalGas’ system) using the Split Metering arrangement.
- 2.2.3 OFO Days – During OFO Days, the Interconnector shall be required to balance in accordance with SoCalGas’ Rule 30 and be subject to

the charges specified therein. The requirement to balance on the OFO Day shall be applied at all times, including any defined Payback Period. Operational Imbalance quantities during an OFO Day that are outside the appropriate OFO Day tolerance level will be considered in the calculation of the cumulative Operational Imbalance for non-OFO Days. Operational Imbalances cashed out pursuant to Rule 30 will be removed from the Interconnector's Operational Imbalance and the information will be promptly communicated to the Interconnector. For Split Meters, the allocation of Gas deliveries on OFO Days shall be in accordance with Section 2.1. The financial responsibility for any Split Meter cash-outs for OFO Days shall be in accordance with Section 2.2.2.

2.3 Measurement Correction - Operational Imbalances that may arise from time to time as the result of a measurement correction for a prior period shall be resolved as follows: (i) by adding or subtracting the measurement correction to the Interconnector's then existing cumulative Operational Imbalance, or (ii) on a "cash-out" basis, or (iii) by some other mutually agreed to method. In the event the Parties cannot agree within thirty (30) calendar days after the occurrence of such Operational Imbalance as to the method to be used for the resolution of the Operational Imbalance, the "cash-out" basis shall be utilized. The cash-out rate will be equal to the average of the Average California/Arizona border price index for delivery into SoCalGas ("Daily Index – SoCal Border Average") as reported by Natural Gas Intelligence ("NGI") (or its legal successor) for each day of that particular prior period. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas. If, for any reason, NGI (or its legal successor) ceases to be available for a particular imbalance period, the cash-out rate will be based on another generally accepted available publication mutually agreed to in writing by the Parties.

#### 2.4. Balancing

2.4.1 Estimated operating quantities flowing at the Interconnection Point shall be used during any current period to determine the estimated Operational Imbalance at such Interconnection Point, with physical flow and/or scheduling adjustments to be made during that current period to keep the Operational Imbalance within the Tolerance Band. Interconnector and SoCalGas shall cooperate in order to minimize the daily over- and under-deliveries. In this regard, Interconnector's and SoCalGas' Gas control and/or scheduling personnel shall be in contact, to the extent necessary, each day in order to balance daily delivered quantities of Gas with Scheduled Quantities of Gas. For the purpose of this Agreement, delivery or receipt of any Gas to resolve an Operational Imbalance is not subject to transportation charges by either Party.

2.4.2 The actual measured quantity of Gas at the Interconnection Point each day shall be determined and communicated by SoCalGas on its

EBB. The actual measured quantity shall be determined pursuant to the applicable provisions of SoCalGas' measurement procedures and standard methodologies consistent with standard industry practices. To the extent that the actual measured quantity of Gas differs from the estimated operating quantity of Gas at the Interconnection Point, at the beginning of each month SoCalGas will calculate the difference (actual minus estimated) between the two quantities for the previous month ("True-up"). SoCalGas will add the True-up to the cumulative Operational Imbalance up to the Tolerance Band. Any True-up quantities falling outside the Tolerance Band will be subject to the cash-out rate set forth in Schedule No. G-CPS. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. For a negative Operational Imbalance, the cash-out will be paid by Interconnector to SoCalGas.

- 2.4.3 On, or about, the 9<sup>th</sup> business day of each calendar month, information showing the quantity of Gas scheduled and delivered at the Interconnection Point during the previous month, including any quantity of Gas traded pursuant to Section 2.2.1, shall be available in SoCalGas' EBB. The information on the ending cumulative imbalance quantity shall also be provided. The Operational Imbalances shall be deemed to be agreed to unless either Party notifies the other Party within seven (7) calendar days that it believes there is an error. At a later date during the month an invoice shall be rendered showing any cash-out charges or other charges and credits, along with supporting price and volume data and detailed cash-out price calculations to enable Interconnector or third-party verification. Billing and payment shall be consistent with SoCalGas' Tariff Rule 12.
- 2.4.4 All imbalances shall be recorded on a Decatherm basis for accounting purposes.
- 2.4.5 If over a period of any consecutive twelve (12) months it is found that the Interconnector is deviating by more than 10% from uniform daily deliveries more often than it is complying with that requirement, then SoCalGas reserves the right to suspend service until such time appropriate actions have been taken to ensure compliance with this provision.

2.5 Disputed Calculations - All reasonable efforts shall be made by the Parties to resolve any disputed computations. Either Party may pursue resolution of a dispute as to computations or imbalances owed hereunder in accordance with the provisions of this Agreement; however, unless the Parties mutually agree otherwise, delivery of the entire imbalance due, including any disputed imbalance, shall be made to the respective Party notwithstanding such

dispute resolution. Delivery of the disputed imbalance(s) shall not be deemed a waiver of any rights to recoup any imbalance amount in dispute.

### **SECTION III** **DEFAULT**

3.1 Waiver - A waiver by either Party of any one or more defaults by the other Party hereunder shall not operate as a waiver of any future default or defaults, whether of like or different character. Furthermore, no consent or waiver, expressed or implied, by any Party of any breach or default by the other Party in the performance of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance of any other obligation of the other Party. Failure on the part of any Party to complain of any act or failure to act by the other Party or to declare the other Party in default, regardless of how long such failure continues, shall not constitute a waiver by such Party of any of its rights hereunder.

3.2 Regulatory Impairment – This Agreement shall at all times be subject to such changes or modifications by the CPUC as said Commission may from time to time direct in the exercise of its jurisdiction. Notwithstanding the other provisions of this Agreement, if at any time during the term hereof, any governmental authority having jurisdiction: (a) requires changes or modifications to the terms of this Agreement that are unacceptable to either Party; or (b) takes any action whereby either Party’s delivery, receipt, and/or use of Gas hereunder shall be proscribed or subjected to terms, conditions, regulations, restraints, or limits that in the reasonable judgment of a Party prevents that Party from acting in a commercially reasonable manner to fulfill the terms of this Agreement, then such Party shall have the unilateral right to terminate this Agreement at any time upon thirty (30) calendar days written notice to the other Party, without further performance due or liability hereunder, except as to redelivery of any outstanding Gas imbalances. Nothing herein shall prevent the Parties through mutual agreement from modifying this Agreement in lieu of termination.

3.3 Sole Remedy - Each Party agrees that its sole remedy for nonperformance by the other Party or other default by the other Party in the performance of its obligations under this Agreement shall be as specified in this Agreement. Both Parties agree to use commercially reasonable efforts and actions to correct nonperformance on their respective systems in a timely manner.

3.4 Reconciliation - Upon the termination of this Agreement, the Parties agree to reconcile and eliminate any remaining Operational Imbalance pursuant to the terms and conditions of this Agreement within thirty (30) calendar days of termination. If the negative imbalance (i.e., under-deliveries) is not resolved within such thirty (30) calendar days, any remaining imbalance shall be reduced to zero (0) by cashing out at the highest High Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. If the positive imbalance (i.e., over-deliveries) is not resolved within such thirty (30) calendar days, any remaining imbalance shall be reduced to zero (0) by cashing out at the lowest Low Daily Index – SoCal Border Average as reported by NGI (or its legal successor) during this 30-day Operational Imbalance Payback Period. For a negative Operational

Imbalance, the cash-out will be paid by Interconnector to SoCalGas. For a positive Operational Imbalance, the cash-out will be paid by SoCalGas to Interconnector. If, for any reason, NGI (or its legal successor) ceases to be available for this particular Payback Period, the cash-out rate will be based on another generally accepted available publication mutually agreed in writing by the Parties.

**SECTION IV**  
**NOTICES**

Any notice, request, or statement provided pursuant to this Agreement shall be in writing and shall be considered as having been given, if delivered personally, when delivered, or, if either electronically communicated, mailed, sent by express mail, or overnight delivery, or if telecopied to the other Party, then, when received, at the following:

**AGREEMENT NOTICES AND OTHER CORRESPONDENCE**

**Agreement**

Lakeside Pipeline LLC  
3711 Meadow View Dr.  
Redding CA, 96002

Southern California Gas Company  
404 N. Tipton St.  
Visalia, CA 93292

Telephone: [REDACTED]  
Attn: Daryl Maas

Telephone: (559) 739-2307  
Attn: Ty Korenwinder  
M.L. SC9393

E-mail: [REDACTED]

[tkorenwinder@semprautilities.com](mailto:tkorenwinder@semprautilities.com)

**Notices**

Lakeside Pipeline LLC  
3711 Meadow View Dr.  
Redding CA, 96002

Telephone: [REDACTED]  
Attn: Hudson Davis

E-mail: [REDACTED]

DISPATCHING AND NOMINATIONS

Lakeside Pipeline LLC  
3711 Meadow View Dr.  
Redding CA, 96002  
Telephone: [REDACTED]

Attn: Jordan Leichty

E-mail: [REDACTED]

Southern California Gas Company  
555 W. Fifth Street  
Los Angeles, California 90013-1011  
Gas Control: (323) 266-5888  
Scheduling Fax: (213) 244-8281  
Nominations: (213) 244-3900  
Attn: Gas Scheduling  
M.L. 20B5

[Gasscheduling@semprautilities.com](mailto:Gasscheduling@semprautilities.com)

ALLOCATION STATEMENTS

Lakeside Pipeline LLC  
3711 Meadow View Dr.  
Redding CA, 96002  
Telephone: [REDACTED]

Attn: Stephen Hatley

E-mail: [REDACTED]

Southern California Gas Company  
555 W. Fifth Street  
Los Angeles, California 90013-1011  
Telephone: (213) 244-3812  
Telefax: (213) 244-8281  
Attn: Scheduling Manager,  
M.L. GT20B5

[Gasscheduling@semprautilities.com](mailto:Gasscheduling@semprautilities.com)

Changes to the designated contacts, addresses and telefax and telephone numbers specified herein may be changed from time to time by the Party affected after two (2) calendar days written notice.

**SECTION V**  
**INDEMNITY**

5.1 Indemnity - Each Party shall be solely responsible for and shall indemnify, defend and hold harmless the other Party, its parent and affiliates including its officers, Board of Directors, agents, contractors, and employees thereof against losses, costs and expenses (including in-house and outside attorneys’ fees), claims, enforcement actions, judgments or other obligations or liabilities, resulting from physical injury to property or person, or a violation of a local, state or federal common law; statute or representation, arising from the indemnifying Party’s performance or nonperformance of its obligations under this Agreement; provided, however, that neither Party shall be obligated to indemnify the other Party against any losses, however caused, which arise in whole or in part from the sole negligence, or willful or criminal misconduct of that Party.

5.2 Risk of Loss - Risk of loss of all Gas shall pass at the Interconnection Point. SoCalGas shall not be responsible to Interconnector or Interconnector’s Service Requester(s) for any Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on Interconnector’s side of the Interconnection Point and Interconnector shall not be responsible to SoCalGas or SoCalGas’ Service Requester(s) for Gas losses or delays (due to operating conditions or constraints, force majeure or otherwise) or damages or injuries occurring on SoCalGas’ side of the Interconnection Point; provided that if the damages or injuries are caused by or attributable to excessive pressure or the quality of Gas that

***Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023***



Interconnector or Interconnector's Service Requester(s) delivers at the Interconnection Point, then Interconnector or Interconnector's Service Requester(s) agrees to be responsible and shall be responsible for all such damages or injuries.

5.3 Limitation of Liability - Notwithstanding any other provision hereof, neither Party shall be liable to the other Party for or assessed pursuant to Section VI or otherwise any special, punitive, consequential, incidental, or indirect damages or for lost business or lost profits, whether under tort, breach of contract, strict liability or any other theory, even if the Party has been advised of the possibility of such damages. SoCalGas is not committing to provide any capacity on its system or access rights to its system to Interconnector as a result or benefit of this Agreement.

## **SECTION VI** **DISPUTE RESOLUTION**

6.1 Disputes - The Parties shall use their best efforts to resolve any disputes arising out of or pertaining to the provisions of this Agreement informally by good faith negotiations. Any such dispute that cannot be resolved shall be submitted to the CPUC for resolution under whatever process is then currently available.

## **SECTION VII** **ASSIGNMENT**

7.1 Assignment - Assignment or transfer of the entire rights and obligations of either Party hereunder shall only be permitted under one of the following circumstances:

- 7.1.1 When the assignment is to a successor, representative or assignee which shall succeed by purchase, merger, corporate reorganization/restructuring or consolidation to all or substantially all of the assets of Interconnector or SoCalGas, as the case may be and when the assignment is to a parent, affiliate or subsidiary of a Party hereto; or
- 7.1.2 When either Party assigns or pledges this Agreement under the provisions of any mortgage, deed of trust, indenture or similar instrument which it has executed or may execute hereafter; however, in such event the other Party shall be provided prior written notice thereof; or
- 7.1.3 When the Party assigning shall have first obtained the consent in writing of the other Party hereto, such consent shall not be unreasonably withheld.

## **SECTION VIII** **MISCELLANEOUS**

8.1 No Dedication - Nothing herein shall be construed as a dedication by any Party of its respective facilities to the other Party or to or for the benefit of any third party. Both Parties may each construct such facilities on their respective systems, as they may deem necessary or appropriate in their sole discretion. Nothing herein obligates either Party to construct any additional facilities (including measuring facilities) over and above those included within the California Producer Interconnection Agreement or to modify any future facilities not described herein or existing facilities to provide for the receipt or delivery of Gas contemplated hereunder.

8.2 Information - Each Party shall have the right to request, and upon such request, the other Party shall provide, information that is sufficient to meet its obligations and to enforce its rights under this Agreement including the verification of the accuracy of any computation contemplated under this Agreement. If the information is considered confidential, then the disclosing Party shall identify it as such and the receiving Party shall treat it as such. Notwithstanding the above, no Party shall be required to provide the other Party with information that is confidential, proprietary, or in violation of the rules and regulations of either the FERC or CPUC.

8.3 Force Majeure - In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer and the Party subject to such cause shall remedy it so far as possible with all reasonable dispatch. No event of force majeure shall affect any Party's ability to suspend performance as set forth in Section 4(i) of the California Producer Interconnection Agreement.

8.4 Choice of Law - As to all matters of construction and interpretation, this Agreement shall be interpreted in accordance with the laws of California, excluding any choice of law or rules, which direct the application of laws of another jurisdiction.

8.5 Entire Agreement - This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, supersedes all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith (specifically excepting the California Producer Interconnection Agreement, which is not affected by this Agreement) and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade.

8.6 Context - Whenever the context may require, the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise stated, a reference to a paragraph shall include all sub-paragraphs, e.g., a reference to section 2 shall, unless otherwise indicated, include paragraph 2.1, 2.2, 2.3, and so on.

8.7 Survivability - Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction. Notwithstanding any termination of this Agreement for any reason, Sections 3, 5 and 8 shall survive.

8.8 Credit

8.8.1 Any Interconnector which is delivering Gas into the SoCalGas system under an existing access agreement, as of August 23, 2007 - the effective date of D.07-08-029, shall be deemed creditworthy unless the Interconnector shows a pattern of material past due payments or the Interconnector's financial condition has materially degraded.

8.8.2 SoCalGas shall have the right, but not the obligation, to reevaluate the creditworthiness of any Interconnector whenever such Interconnector fails to fulfill its financial obligations under this Agreement or whenever the financial condition of the Interconnector has materially changed, including but not limited to a change or transition in ownership, a request for a substantial increase in the amount of Gas to be delivered to SoCalGas has been made, or significant under-deliveries have occurred.

8.8.3 In the event a reevaluation of credit of an existing Interconnector is deemed necessary by SoCalGas, or if Interconnector is a new Interconnector, such Interconnector shall provide SoCalGas with such Interconnector's most recent annual report and the Interconnector's most recent SEC Form 10-K or a copy of the Interconnector's audited financial statement.

8.8.4 The creditworthiness evaluation may be performed by an outside credit analysis agency selected by SoCalGas, with final credit approval granted by SoCalGas. The creditworthiness evaluation shall consider the credit facilities that are already in place between SoCalGas and the Interconnector and the Interconnector's affiliate(s) so that the credit coverage is not duplicative. Also, a third party (the "Guarantor") shall be allowed to assume creditworthiness on behalf of the Interconnector in accordance with the following provisions:

SoCalGas may accept a guaranty in an amount, from an issuer, and in a form acceptable to SoCalGas in its sole discretion (the “Guaranty”) from the Guarantor.

The Guarantor shall deliver and maintain the Guaranty until such time when the Interconnector is able to demonstrate the Interconnector’s creditworthiness to SoCalGas, as determined by SoCalGas in its sole discretion. The Interconnector shall be in default of this Agreement if a replacement guaranty (in a form, from an issuer and in an amount acceptable to SoCalGas in its sole discretion) or a cash deposit or letter of credit in an amount determined by SoCalGas in accordance with Section 8.8.5 is not received within fifteen (15) calendar days of SoCalGas’ notice to the Interconnector of a determination that the Guarantor is no longer creditworthy (or SoCalGas is unable to determine the creditworthiness of the Guarantor), as determined by SoCalGas in its sole discretion.

8.8.5 In the event SoCalGas denies the Interconnector or its Guarantor an unsecured line of credit, SoCalGas shall provide the Interconnector, within seven (7) calendar days of the denial of credit, with an explanation as to why the Interconnector or its Guarantor was denied credit. If the Interconnector or its Guarantor is denied an unsecured line of credit, SoCalGas shall accept as a security deposit, for a secured line of credit, a cash deposit, or letter of credit or other instrument acceptable to SoCalGas that meets the following criteria: the Interconnector’s Interconnect Capacity multiplied by 40 days, and then multiplied by the average of the Average Daily Index – SoCal Border Average as reported by NGI (or its legal successor) for each day of the immediately preceding calendar month. If, for any reason, NGI (or its legal successor) ceases to be available, the price index will be based on another generally accepted available publication selected by SoCalGas in its sole discretion.

8.9 Publicity - Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Party, which approval shall not be unreasonably withheld.

8.10 Attorneys’ Fees - Should any dispute arise regarding any term or provision of this Agreement or enforcement of any rights hereunder, or to collect any portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs and attorney's fees shall be paid to the prevailing Party.

8.11 Compliance with Law - This Agreement and the terms and conditions

herein are subject to all present and future valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction. SoCalGas shall provide notice to the Interconnector prior to filing any request for a change to its tariffs that would affect this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed duplicate originals of this Agreement on the date set forth hereinabove.

LAKESIDE PIPELINE LLC

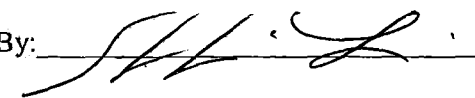
By: 

Printed Name: Daryl Mores

Title: CEO

Date: 2/28/19

SOUTHERN CALIFORNIA GAS  
COMPANY

By: 

Printed Name: Sharon Tomkins

Title: Vice President - Customer Solutions and Strategy

Date: 03/04/2019

**EXHIBIT 1: SYSTEM MAP**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

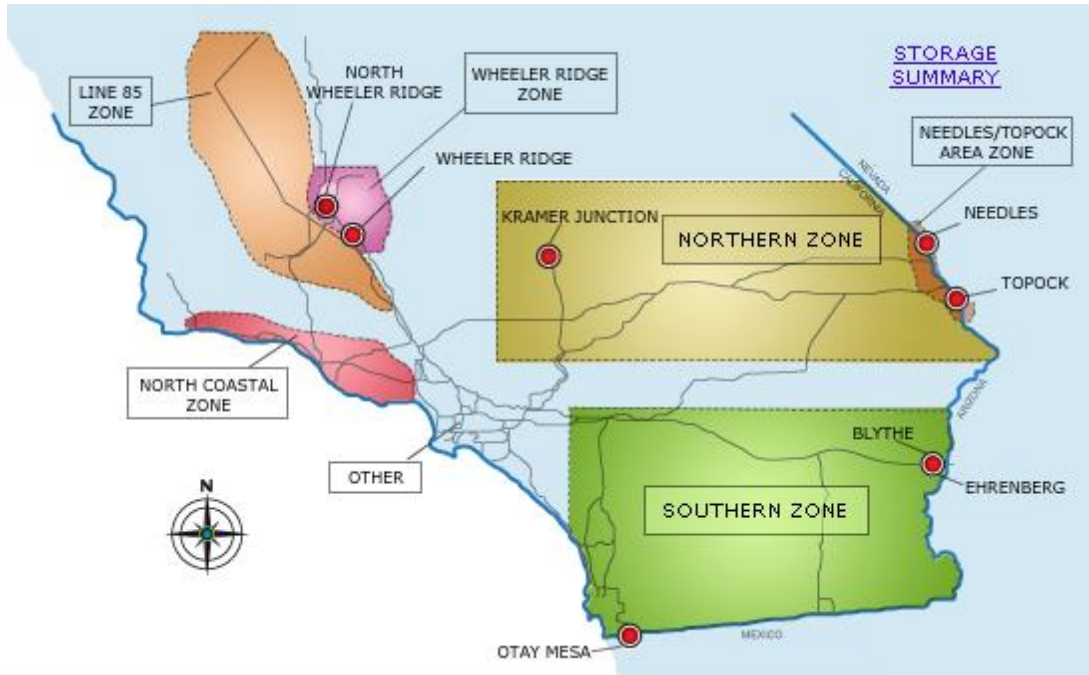
Lakeside Pipeline LLC

and

Southern California Gas Company

Dated: February 25, 2019

The Interconnector Point is currently located within SoCalGas' Schedule G-BTS California Other Zone.



**EXHIBIT 2: SOCALGAS' FACILITIES**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

Lakeside Pipeline LLC

and

Southern California Gas Company

Dated: February 25, 2019

See Exhibit B: Interconnection Point and SoCalGas' Facilities To The California Producer Interconnection Agreement between Lakeside Pipeline LLC and Southern California Gas Company Dated: February 25, 2019.



**EXHIBIT 3: LOCATION**

**TO THE CALIFORNIA PRODUCER OPERATIONAL BALANCING AGREEMENT**

between

Lakeside Pipeline LLC

and

Southern California Gas Company

Dated: February 25, 2019

<u>D-U-N-S® NUMBER</u>	<u>RECEIPT/ DELIVERY DESIGNATION</u>	<u>PROPRIETARY GAS TRANSACTION POINT CODE</u>	<u>DRN NO.</u>	<u>DESCRIPTION</u>
DUNS Number:  ██████████	Receipt	N/A	N/A	Interconnection between the facilities of Lakeside Pipeline LLC and Southern California Gas Company located at County: Kings; Section: 28; Township: T19S; Range R22E.

**Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023**

**Lakeside Pipeline LLC**

Attachment D: SB 1383 Dairy Pilot Project Funding Agreement

# Southern California Gas Company

## SB 1383 DAIRY PILOT PROJECT FUNDING AGREEMENT

 CHECK HERE IF ADDITIONAL PAGES ARE ATTACHED

## 1. PROJECT OWNER

Lakeside Pipeline LLC

## 3. UTILITY

Southern California Gas Company ("SoCalGas")

## 4. AGREEMENT NUMBER

SB1383-01

## 5. NAME, TELEPHONE, AND EMAIL ADDRESS FOR QUESTIONS REGARDING THIS AGREEMENT

Jim Lucas

213-244-3276

[jlucas@semprautilities.com](mailto:jlucas@semprautilities.com)

## 6. BRIEF DESCRIPTION OF PROJECT ("Project")

The Lakeside Pipeline LLC project will initially capture biogas from ten dairies in Tulare and Kings County, clean the dairy biogas to pipeline quality and inject the renewable natural gas into SoCalGas' pipeline system. The ten dairies are: Clear Lake Dairy, Decade Dairy, Richard Westra Dairy, Dixie Creek Dairy, Double L Cattle, High Roller Dairy, Lakeside Dairy, Lone Oak #1 Dairy, Poplar Lane Dairy, and River Ranch Dairy.

7. AGREEMENT OUTLINE (*Include reason for Agreement and details*)

SB 1383 requires the California Public Utilities Commission (CPUC), in consultation with the California Air Resources Board (ARB) and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system. On December 3, 2018, the Selection Committee issued a press release and announced funding for six statewide pilot projects in the San Joaquin and Sacramento Valleys, this project being one of them.

8. PAYMENT TERMS (*More than one may apply*).

See Schedule C

**9. PROJECTED EXPENDITURES  
FOR REIMBURSEMENT  
(Lane 2 of Figure 1)**

	DESCRIPTION	ESTIMATED COST
Biogas Pre-Treatment Facilities	Pipeline facilities to condition, compress and/or meter the biogas at each dairy	██████████
Biogas Collection Lines	Pipeline facilities to move biogas from each dairy to the central biogas conditioning/upgrading facility	██████████

**AGREEMENT TOTAL**  
(Not to Exceed)

██████████

**Southern California Gas Company  
SB 1383 DAIRY PILOT PROJECT FUNDING AGREEMENT**

**SB 1383 DAIRY PILOT AGREEMENT  
SIGNATURE PAGE**

AGREEMENT NUMBER
SB1381-01

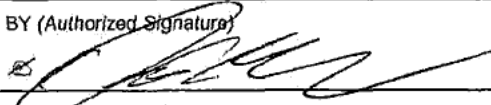
- This Agreement is entered into between the Utility and the Project Owner named below:  
 UTILITY'S NAME  
**Southern California Gas Company ("SoCalGas")**  
 PROJECT OWNER'S NAME  
**Lakeside Pipeline LLC**
- This Agreement is effective upon execution by both parties and shall remain in effect for a primary term of twenty (20) years from the Commencement Date (as defined in the California Producer Interconnection Agreement for SB 1383 Dairy Pilot Project between the parties (the "CPIA")).
- The maximum amount of this Agreement is [REDACTED]
- The parties agree to comply with the terms and conditions of the following schedules and exhibits, which are by this reference made a part of the Agreement:

Schedule A – Project Information	Page 3
Schedule B – Terms and Conditions	Pages 4 to 10
Schedule C – Payment Provisions and Records Retention	Pages 11 to 12
Schedule D – Project Owner – Demonstration of Project Readiness	Pages 13 to 14
Schedule E – Project Owner Safety Action Plan	Pages 15 to 18
Exhibit 1 - Solicitation for SB 1383 Dairy Pilot Projects	Pages 19 to 54
Exhibit 2 – Confidential Agreement	Pages 55 to 59

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

**PROJECT OWNER**

PROJECT OWNER'S NAME (Organization's Name)  
 Lakeside Pipeline LLC

BY (Authorized Signature)  


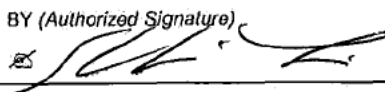
DATE SIGNED (Do not type)  
 2/28/19

PRINTED NAME AND TITLE OF PERSON SIGNING: **Darryl Moss, CEO**

ADDRESS  
 3711 Meadow View Dr., Redding CA, 96002

**SOCALGAS**

UTILITY NAME  
**SoCalGas**

BY (Authorized Signature)  


DATE SIGNED (Do not type)  
 March 3, 2019

PRINTED NAME AND TITLE OF PERSON SIGNING  
 Sharon Tomkins, Vice President - Customer Solutions and Strategy

ADDRESS  
 555 W Fifth St, Los Angeles CA 90013

**SCHEDULE A****PROJECT INFORMATION**

1. SoCalGas shall provide SB 1383 Dairy Pilot Project incentives to the Project Owner as stated for the Project described herein
2. The Managers for this Agreement are:

<b>FOR SOCALGAS:</b>	<b>FOR PROJECT OWNER:</b>
Name: Jim Lucas	Name: Daryl Maas
Title: Market Development Manager	Title: Owner
Address: 555 W Fifth St, ML 19A4	Address: 3711 Meadow View Dr.
City/Zip: Los Angeles CA, 90013	City/Zip: Redding, 96002
Phone: 213-244-3276	Phone: [REDACTED]
Email Address: <a href="mailto:jlucas@semprautilities.com">jlucas@semprautilities.com</a>	Email Address: [REDACTED]
	Role: Project Owner

3. The **Project and Administrative Contacts** for this Agreement are:

<b>FOR SOCALGAS:</b>	<b>FOR PROJECT OWNER:</b>
Name: Kelly Murillo	Name: Hudson Davis
Title: Project Manager	Title: Project Manager
Address: 555 W 5 <sup>th</sup> St, ML 19A4	Address: 3711 Meadow View Dr.
City/Zip: Los Angeles, CA 90013	City/Zip: Redding, 96002
Phone: (213) 244-3786	Phone: [REDACTED]
Email Address: <a href="mailto:kmurillo@semprautilities.com">kmurillo@semprautilities.com</a>	Email Address: [REDACTED]
	Role: Project Manager

## SCHEDULE B

### TERMS AND CONDITIONS

#### 1. General Description of Agreement

##### a. Background

Senate Bill (SB) 1383 was signed by Governor Brown on September 19, 2016. One of the requirements of SB 1383 requires the California Public Utilities Commission (CPUC), in consultation with the California Air Resources Board (ARB) and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane pilot projects to demonstrate interconnection to the common carrier pipeline system. SB 1383 also states that the Utilities may recover in rates the reasonable cost of pipeline infrastructure developed pursuant to the Pilot Projects.

On June 15, 2017, the CPUC issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework which directs the Utilities to implement the dairy biomethane pilot projects and allow for rate recovery of reasonable infrastructure costs pursuant to SB 1383.

On December 18, 2017, the CPUC issued Decision (D.)17-12-004 which establishes the necessary framework to direct Utilities to implement not less than five dairy biomethane pilot projects. Pursuant to D.17-12-004, the Selection Committee, made up of CPUC, ARB, and CDFA, issued a solicitation for the pilot projects.

On December 3, 2018, the Selection Committee issued a press release and announced funding for six pilot projects in the San Joaquin and Sacramento Valleys designed to demonstrate the collection of biomethane from dairy digesters and its injection into natural gas pipelines.

##### b. Binding Agreement

Subject to Subsection c. below, this Agreement is a legally binding contract. The parties named in this Agreement are bound by the terms set forth herein and otherwise incorporated herein by reference, and the parties are also bound by the legal and regulatory requirements set forth in D.17-12-004 and the Solicitation for SB 1383 Dairy Pilot Projects, which this Agreement is intended, in part, to effectuate.

##### c. Regulatory Approval

This Agreement is subject to the CPUC's regulatory process and must conform to all CPUC requirements, including but not limited to the requirements of D.17-12-004 and the Solicitation for SB 1383 Dairy Pilot Projects. In order to be binding upon SoCalGas, this Agreement must be filed and approved by the CPUC. This agreement at all times shall be subject to such modifications to this Agreement; the underlying program or Decision; or any related program, Decision or agreement as the CPUC may direct from time to time in the exercise of its jurisdiction.

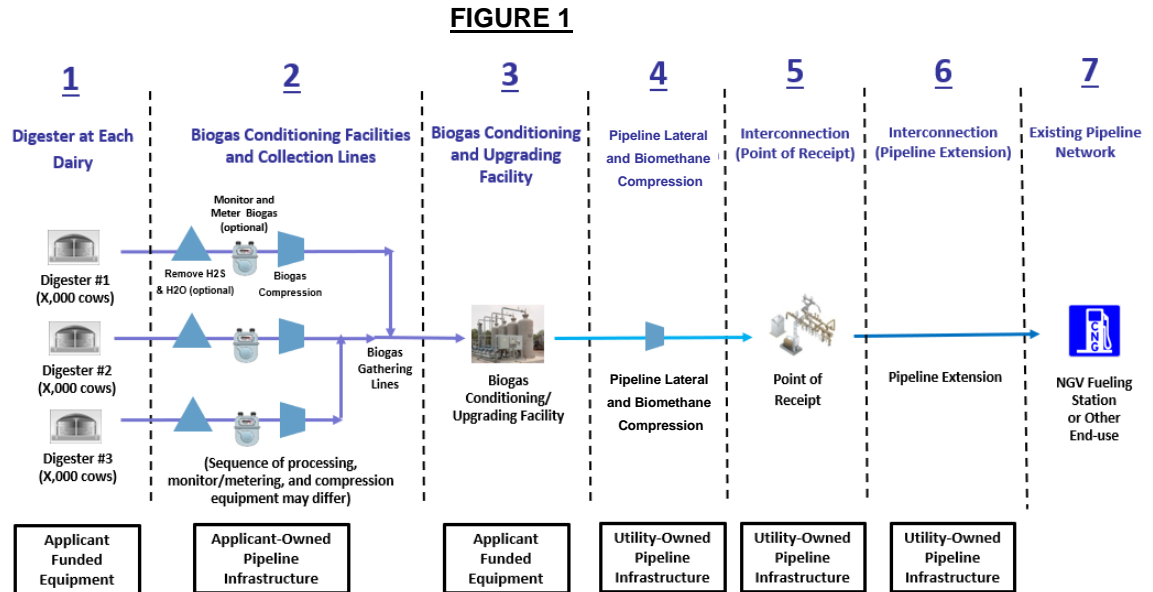
## 2. Representations

- a. Each person executing this Agreement for the respective party expressly represents and warrants that he or she is authorized to act as signatory for that party in the execution of this Agreement.
- b. Each party represents that: (a) it has the full power and authority to execute and deliver this Agreement and to perform its terms and conditions; (b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate entities; and (c) this Agreement constitutes such party's legal, valid and binding obligation, enforceable against such party in accordance with its terms.
- c. Each party shall (a) exercise all reasonable care, diligence, and good faith in the performance of its duties pursuant to this Agreement; and (b) carry out its duties in accordance with applicable federal, state, and local laws, regulations, tariffs, and ordinances and recognized professional standards in accordance with the requirements of this Agreement.

## 3. General Conditions and Requirements

- a. SoCalGas shall reimburse Project Owner only for allowable expenses for project design, construction or implementation activities in accordance with the: 1) D.17-12-004; 2) Solicitation for SB 1383 Dairy Pilot Projects and 3) Project Owner Application submitted on or before June 25, 2018 for the Project and only where all requirements set forth in this Agreement have been met, including but not limited to the following obligations of Project Owner:
  - i. Project Owner must adhere to ALL project conditions and requirements as stated in: 1) D.17-12-004; 2) the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1); and 3) Project Owner Application submitted on or before June 25, 2018 for the Project, as well as any other regulatory or other requirements set forth by the CPUC.
  - ii. Project Owner must ensure all project activities in Lanes 1-3 in Figure 1 below, including contractor/consultant activities, are compliant with applicable federal, state, and local laws, regulations, tariffs, and ordinances. Moreover, Project Owner is responsible for obtaining and maintaining all necessary permits, licenses, agreements, and approvals for the construction, operation and maintenance of facilities in Lanes 1-3 in Figure 1 below.
  - iii. Project Owner is responsible for the upfront costs associated with the facilities in Lane 2 in Figure 1 below. Project Owner may apply to SoCalGas for reimbursement of the allowable cost of such facilities to the extent consistent with D.17-02-004 and the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1), as well as any other regulatory requirements; provided, however, SoCalGas shall only be obligated to reimburse the Project Owner an amount not to exceed the lesser of (i) the amount that SoCalGas is authorized to recover from utility ratepayers or (ii) the Agreement Total.
  - iv. Project Owner must perform, or cause to be performed, all operation and maintenance costs for the facilities in Lanes 1-3 in Figure 1 below.
  - v. SoCalGas will manage all project activities in Lanes 4-6 in Figure 1 below and own/operate/fund the facilities for up to 20 years. The contractual terms for the facilities in Lanes 4-6 in Figure 1 below are contained in the CPIA.

1. Project Owner, at their cost, shall be responsible for all upfront costs to establish electrical service to SoCalGas owned equipment in Lanes 4-6 in Figure 1 below. The detailed scope of work for the electrical power is contained in the CPIA.



- vi. Project Owner must submit timely and accurate invoices and reports for Lane 2 during the project term with sufficient detail to distinguish costs for Lane 2 from the other Lanes in Figure 1 above.
- vii. Project Owner must maintain clear and consistent communication regarding project progress status throughout the project, particularly if problems or issues arise resulting in project delays. Upon discovery of problems and/or delays, Project Owner must notify SoCalGas within 3 business days of such problems and/or delays.
- viii. Project Owner must complete the Project on or before the Target Date (as defined below) for the Project. The Target Date is the date by which the Project must be connected to the SoCalGas pipeline and flowing renewable natural gas; such Target Date shall be [December 2, 2020] which is two years after December 3, 2018, the date on which Project Owner received notification by the Selection Committee of an awarded project. If the Project is not connected to the SoCalGas pipeline and flowing renewable natural gas on or before the Target Date, Project Owner must submit an extension request to the Selection Committee delineating project steps and expected online date.

#### 4. Safety Action Plan

Per the Solicitation for SB 1383 Dairy Pilot Projects, in Section 3 (Pilot Project Program Eligibility Requirements), Subpart 2, the Selection Committee states the following pertaining to safety for the pilot projects:

Compliance with the CPUC Strategic Directive on Safety: Under the CPUC Strategic Directive on Safety, the CPUC secures health and safety with a goal of achieving zero accidents and injuries. Within its jurisdictional authority, the CPUC focuses on safety policy, risk



management, safety assurance, and safety promotion. The CPUC adopts leading safety policies and standards to maximize safety in a cost-efficient manner above and beyond compliance. The CPUC continually identifies, assesses, mitigates, or eliminates the safety risk faced or posed. The CPUC assures that entities comply with the law and have sufficient resources to ensure the safety of the public, workers, and the environment. The CPUC supports efforts to assure that the public, workers and customers, are able to make informed choices and know how to respond to unsafe situations. The CPUC is committed to promoting and continuously improving safety culture.

No funding can be awarded for pipeline construction that carries hydrogen sulfide (H<sub>2</sub>S) at concentration levels detrimental to human health and safety. All projects must submit a safety action plan with initial processes and procedures drafted that indicate potential unsafe conditions and preliminary processes and procedures delineated to respond to each.

Project Owner must complete a Safety Action Plan and include such Safety Action Plan as Attachment E hereto. Failure to complete an accurate and appropriate Safety Action Plan in accordance with CPUC requirements will result in this Agreement not being eligible for submission to or approval by the CPUC.

## **5. Reporting**

Project Owner shall adhere to the reporting requirements as stated in Section 7.3 and Attachment B of the Solicitation for SB 1383 Dairy Pilot Projects (Exhibit 1). The start date for the initial quarterly report will commence on the date the Project meets the 30 out of 40-day flow requirement as further described in Schedule C hereto. This will be considered day one of the initial reporting period. Project Owner shall submit all quarterly reports within 60 calendar days of the last day of the quarterly reporting period.

## **6. Project Readiness Demonstration**

Prior to SoCalGas incurring significant costs by the procurement of materials and constructing the facilities in Lanes 4-6 in Figure 1 above, Project Owner must demonstrate project readiness by providing proper documentation to show compliance with each of the requirements set forth in Schedule D.

## **7. Indemnification**

- a. Project Owner shall indemnify, defend and hold harmless SoCalGas, its officers, directors, agents, and employees, from and against all claims, demands, losses, damages, costs, expenses, and legal liability connected with or resulting from injury to or death of persons, including, but not limited to, employees of SoCalGas, Project Owner, any project contractor or subcontractor; injury to property of SoCalGas, Project Owner, or a third party, or to natural resources, or violation of any local, state or federal law or regulation, including, but not limited to, environmental laws or regulations, or strict liability imposed by any law or regulation; arising out of, related to, or in any way connected with Project Owner's performance of this Agreement, however caused, regardless of any strict liability or negligence of SoCalGas, whether active or passive, excepting only such claims, demands, losses, damages, costs, expenses, liability or violation

of law or regulation as may be caused by the active gross negligence or willful misconduct of SoCalGas, its officers, agents, or employees.

- b. Project Owner acknowledges that any claims, demands, losses, damages, costs, expenses, and legal liability that arise out of, result from, or are in any way connected with the release or spill of any legally designated hazardous material or waste as a result of the work performed for purposes of this Agreement are expressly within the scope of this indemnity, and that the costs, expenses, and legal liability for environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work, penalties, and fines arising from the violation of any local, state, or federal law or regulation, attorney's fees, disbursements, and other response costs are expressly within the scope of this indemnity.
- c. Project Owner shall, on SoCalGas' request, defend any action, claim or suit asserting a claim covered by this indemnity. Project Owner shall pay all costs that may be incurred by SoCalGas in enforcing this indemnity, including reasonable attorney's fees.

## 8. Notice

All notices provided for herein shall be given in writing, and either hand delivered or sent by prepaid priority courier or by e-mail, in which case a copy must be also be sent by prepaid priority courier. In the case of courier delivery, delivery shall be deemed to occur upon confirmation by the courier that delivery has been made. In the case of email delivery, delivery shall be deemed to occur upon confirmation of receipt by other party or upon confirmation by the courier that delivery of the courtesy copy has been made. Unless changed as set forth below the addresses of the Parties for purposes of this Section are as follows:

### Interconnector:

Mailing Address: Maas Energy Works  
3711 Meadow View Dr.  
Redding, CA 90062  
Attn: Daryl Maas

Email Address: [REDACTED]

### SoCalGas:

Mailing Address: Southern California Gas Company  
555 W 5<sup>th</sup> St, M.L. 19A4  
Los Angeles, California 90013  
Attn: Jim Lucas

Email Address: [marketdevelopment@semprautilities.com](mailto:marketdevelopment@semprautilities.com), [jlucas@sempautilities.com](mailto:jlucas@sempautilities.com)

The designated contact and address specified herein may be changed by the Party affected after two (2) calendar days written notice.

## 9. Compliance with Laws and Regulations

*Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023*

- a. During the performance of any work on the Project, Project Owner and its contractors and subcontractors, agents and employees shall fully comply with all applicable state and federal laws and with any and all applicable bylaws, rules, regulations and orders made or promulgated by any government, government agency or department, municipality, board, commission or other regulatory body; and shall provide all certificates for compliance therewith as may be required by such applicable laws, bylaws, rules, regulations, orders, stipulations or plans.
- b. Project Owner shall require any contractor or subcontractor performing work on the Project may be contracted to comply with provisions of this paragraph, and agrees to save and hold SoCalGas harmless from any and all penalties, actions, causes of action, damages, claims and demands whatsoever arising out of or occasioned by failure of Project Owner and/or a contractor or a subcontractor to make full and proper compliance with said bylaws, rules, regulations, laws, orders, stipulations or plans.

## 10. Governing Law

This Agreement shall be deemed to be a contract made under laws of the State of California and for all purposes shall be construed in accordance with the laws of said state.

## 11. Entire Agreement

This Agreement, the CPIA, the California Producer Interconnect Collectable System Upgrade Agreement, the California Producer Operational Balancing Agreement and the Confidentiality Agreement between the parties (the "Project Agreements") consist of the entire agreement between the parties on the subject matter hereof and the Project Agreements supersede all prior discussions, agreements and understandings, whether oral or written, which the Parties may have in connection herewith and may not be amended or modified except by written agreement of the Parties, and shall not be modified by course of performance, course of conduct or usage of trade. In the event of a conflict between the terms of one of more of these Project Agreements, the term contained in the individual agreement shall govern interpretation of such agreement.

## 12. Enforceability

If any provision of this Agreement, or the Project Agreement, is to any extent held invalid or unenforceable, the remainder of this Agreement, other than those provisions which have been held invalid or unenforceable, shall not be affected and shall continue in full force and effect and shall be enforceable to the fullest extent permitted by law or in equity.

## 13. Force Majeure

In the event a Party is rendered unable, wholly or in part, by an event of force majeure (as defined in SoCalGas' tariff) to carry out its respective obligations under this Agreement, it is agreed that upon such Party giving notice and reasonably full particulars of such event of force majeure in writing, electronic mail or by telecopy or by telephone (and confirmed in writing within seventy-two (72) hours thereafter), to the other Party within a reasonable time after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as they are affected by such event of force majeure, shall be suspended during the continuance of the effects of the cause, but for no longer period and the Party subject to such cause shall remedy it so far as

possible with all reasonable dispatch. In the event of a delay caused by a force majeure event, the time for completion shall be extended by a period of time reasonably necessary to overcome the effect of such delay.

#### **14. Not a Joint Venture**

Unless specifically stated in this Agreement to be otherwise, the duties, obligations, and liabilities of the parties are intended to be several and not joint or collective. Nothing contained in this Agreement shall ever be construed to create an association, trust, partnership or joint venture or to impose a trust or partnership duty, obligation, or liability on or with regard to either party. Each party shall be liable individually and severally for its own obligations under this Agreement.

#### **15. Publicity**

Any public statements, publicity or press releases concerning this Agreement and the transactions contemplated by this Agreement shall be jointly planned and coordinated by and between the Parties. No Party shall act unilaterally regarding such publicity or press releases without the prior written approval of the other Parties, which approval shall not be unreasonably withheld.

## SCHEDULE C

### PAYMENT PROVISIONS AND RECORD RETENTION

#### 1. Invoicing and Payment for Project Owner Owned Pipeline Infrastructure

- A. SoCalGas shall only be obligated to reimburse Project Owner for allowable expenses for project design, construction or implementation activities in accordance with the: 1) D.17-12-004, 2) Solicitation for SB 1383 Dairy Pilot Projects, and 3) Project Owner Application submitted on or before June 25, 2018 for the Project and any other applicable legal or regulatory requirements.
- B. In the event Project Owner has a dispute with respect to reimbursement by SoCalGas of allowable expenses, the Project Owner shall send a Notice of Dispute to SoCalGas within ten (10) calendar days of SoCalGas' denial of reimbursement of the full amount requested by the Project Owner. The Notice of Dispute must identify the name of the pilot project, set forth the basis for the dispute and provide supporting documentation. After sending Notice of Dispute, Project Owner shall continue to perform all of its obligations and responsibilities under this Agreement; in the event that Project Owner does not perform in accordance with this Agreement, SoCalGas shall have the right to suspend its performance under the Agreement and the related Project Agreements, including but not limited to, any payment and reimbursement obligations.
- C. Invoices for Project Owner Owned Infrastructure shall be submitted in accordance with the following milestone payment structure:
- **Milestone Payment 1:** When the Project spends 35% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure, Project Owner may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
  - **Milestone Payment 2:** When the Project spends 70% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure, Project Owner may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
  - **Milestone Payment 3:** Reimbursement payment up to 15% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure will be provided to Project Owner after meeting the 30 out of 40 days flow requirement for the Pilot Project Capacity (as defined in CPIA) as follows:

Project Owner must produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of SoCalGas' meter. Project Owner must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Project Owner is unable to produce flow because of an interruption of delivery as set forth in SoCalGas Tariff Rule No. 23. Project Owner may elect to restart the 40 day

testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.

Once the 30 out of 40 days flow requirement is met, the Project Owner must provide SoCalGas with detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed 15% of the Agreement Total amount for Project Owner Owned Pipeline Infrastructure for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 4:** The final reimbursement payment of up to 15% of the Agreement Total amount for the Project Owner Owned Pipeline Infrastructure will be provided to Project Owner after meeting the forecasted renewable natural gas production volume of one thousand three hundred ninety-six (1,396) thousand standard cubic feet per day (MScfD). Once this requirement is met, the Project Owner must provide detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the Agreement Total amount for Project Owner Owned Pipeline Infrastructure to SoCalGas for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s). The final reimbursement payment will be available for 2 years, starting from the date the 30 out of 40 days flow requirement is met.

- D. **Withdrawal:** If Project Owner withdraws from the pilot and SoCalGas has incurred any costs, including reasonable costs related to termination of the Project, related to the Project and/or has made any payments pursuant to any of the Project Agreements, the Project Owner must reimburse SoCalGas for such costs and return any payments received.
- E. **Payment:** SoCalGas shall make payment Net 45 Days after receipt and approval of an undisputed invoice in accordance with the Milestones provided in Section C above. Project Owner shall work with SoCalGas to be set-up as a vendor in SoCalGas' accounts payable system and complete the required paperwork to receive automated clearing house (ACH) payments.
- F. **Record Retention**  
Project Owner shall maintain receipts and records for a minimum of five (5) years from December 3, 2018 and make all receipts and records available for inspection and audit upon the request of the Selection Committee, SoCalGas, or any of their designees. SoCalGas is required to submit reimbursement summaries to the Selection Committee and shall make all receipts reviewable by the Selection Committee available upon request.
- G. **Audits**  
The Selection Committee and/or SoCalGas reserves the right to conduct a Financial Audit and/or Critical Project Review upon reasonable notice at any time during the term of this Agreement.

## SCHEDULE D

### PROJECT OWNER - DEMONSTRATION OF PROJECT READINESS

#### CHECKLIST

<b>COMMERCIAL</b>	
<input type="checkbox"/>	Project Funding Matrix (Executed)
	<ul style="list-style-type: none"> <li>• Provided actual executed agreements with all investors</li> <li>• Provide actual executed loan agreements from all lenders</li> <li>• Updated Project Budget, including incorporation of the EPC definitive cost estimate, is within approved funding levels</li> </ul>
<input type="checkbox"/>	Project Materials Supply Agreements Matrix
	<ul style="list-style-type: none"> <li>• All feedstock (manure) supply agreements in place with each dairy with sufficient volume to support operations at full capacity</li> <li>• All chemical or catalyst supply agreements are in place with sufficient volume to support operations at full capacity</li> </ul>
<input type="checkbox"/>	Project Product Off-take Agreements Matrix
	<ul style="list-style-type: none"> <li>• Identify primary partners/clients and projected RNG off-take volumes</li> </ul>
<b>SITE</b>	
<input type="checkbox"/>	Civil Works and Site Plans Stamped by Licensed Professional Engineer
	<ul style="list-style-type: none"> <li>• Geotechnical evaluations – subsurface conditions accounted for in design and construction cost estimate</li> <li>• ALTA (American Land Title Association) Surveys</li> </ul>
<input type="checkbox"/>	Encroachment Permit List/Right of Way Agreements Matrix
	<ul style="list-style-type: none"> <li>• Interconnections (utilities, feedstock, product transportation) have been planned and mutually agreed upon by all associated parties (utility suppliers, feedstock providers, biogas to conditioning/sweetening system(s), etc.)</li> <li>• Identify which permits have been approved and agreements executed and indicate expected dates of completions for those still pending</li> </ul>
<input type="checkbox"/>	Site lease and/or purchase agreements executed for each location
<b>PROJECT</b>	
<input type="checkbox"/>	Project Execution Plan
<input type="checkbox"/>	Long Lead-time/Critical Equipment Issued Purchase Orders and Down Payments
<input type="checkbox"/>	Operations and Maintenance (O&M) Plan
	<ul style="list-style-type: none"> <li>• Overall approach strategy (3<sup>rd</sup> party service provider, self-perform, etc.)</li> <li>• Training and Staffing Plan</li> <li>• Spare parts plan</li> <li>• O&amp;M agreement with service provider(s)</li> </ul>
<b>TECHNOLOGY</b>	
<input type="checkbox"/>	Front End Engineering Design (FEED) Issued by Licensed Professional Engineer

	<ul style="list-style-type: none"> <li>• Process design complete for complete operations at full capacity, including digesters and conditioning/sweetening systems at each dairy, gathering lines, and upgrading plant <ul style="list-style-type: none"> <li>– Process and utility equipment specifications</li> <li>– Process flow diagrams (PFDs) and piping &amp; instrument diagrams (P&amp;IDs)</li> <li>– Mass and energy balance for overall process and each site and system/subsystem</li> <li>– Utility and balance-of-plant support requirements</li> </ul> </li> </ul>
<input type="checkbox"/>	Technical license agreements have been executed and all related fees and royalties are accounted for in capital and operating cost models
<b>ENVIRONMENTAL/REGULATORY</b>	
<input type="checkbox"/>	Project Permit List Matrix (with application status, durations, contacts, costs)
<input type="checkbox"/>	California Environmental Quality Act (CEQA) Determinations Report
	<ul style="list-style-type: none"> <li>• Environmental permit requirements under California Environmental Quality Act (CEQA) and other applicable guidelines and standards as well as local, State and Federal laws are fully identified</li> <li>• Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A of Exhibit 1)</li> </ul>
<input type="checkbox"/>	County Planning Approvals
<input type="checkbox"/>	California Air Resource Board Approvals
<input type="checkbox"/>	California State Water Resources Control Board Approvals
<input type="checkbox"/>	Office of the State Fire Marshal Approvals
<b>CONSTRUCTION</b>	
<input type="checkbox"/>	EPC Contractor Executed Agreement(s)
	<ul style="list-style-type: none"> <li>• Scope of work</li> <li>• Performance and schedule guarantees</li> <li>• Warranties</li> <li>• Acceptance criteria</li> <li>• Testing criteria</li> <li>• Liquidated damages</li> <li>• Startup/Commissioning</li> </ul>
<input type="checkbox"/>	Baseline Project Schedule











**SOLICITATION**  
**FOR**  
**SB 1383 DAIRY PILOT PROJECTS**

**By**  
**Selection Committee**

**Thanks to:**

**PACIFIC GAS & ELECTRIC COMPANY**

**SAN DIEGO GAS & ELECTRIC®**

**SOCALGAS®**

**SOUTHWEST GAS CORPORATION**

**For your continued support of these projects.**

**March 7, 2018**

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# CHAPTER 1 – Overview and Protocol

## 1.0 Solicitation Objective

On December 18, 2017, the California Public Utilities Commission (CPUC) issued Decision (D.)17-12-004 which establishes the necessary framework to direct natural gas corporations (“Utility” or “Utilities”) to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system and allow for rate recovery of reasonable infrastructure costs pursuant to Senate Bill (SB) 1383. Participating Utilities are SoCalGas®, Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric® (SDG&E) and Southwest Gas Corporation (Southwest Gas). The objective of this Dairy Pilot Solicitation (Solicitation) is for the Selection Committee to select and award at least five (5) dairy biomethane Pilot Projects that are financially sustainable in the long-term to ensure these investments provide the expected environmental benefits to ratepayers and the State of California.

## 2.0 SB 1383 Background

SB 1383 was signed by Governor Brown on September 19, 2016 and requires the California Air Resources Board (ARB) to approve and begin implementing a comprehensive strategy to reduce emissions of short-lived climate pollutants to achieve a reduction in methane by 40%, hydrofluorocarbon gases by 40%, and anthropogenic black carbon by 50% below 2013 levels by 2030. One of the requirements of SB 1383 requires the CPUC, in consultation with ARB and the California Department of Food and Agriculture (CDFA), to direct Utilities to implement not less than five dairy biomethane Pilot Projects to demonstrate interconnection to the common carrier pipeline system. SB 1383 also states for the purposes of these Pilot Projects Utilities may recover in rates the reasonable cost of Pipeline Infrastructure developed pursuant to the Pilot Projects.

On June 15, 2017, the CPUC issued Rulemaking (R.) 17-06-015 (Rulemaking), to develop a framework which directs the Utilities to implement the dairy biomethane Pilot Projects and allow for rate recovery of reasonable infrastructure costs pursuant to SB 1383. The proposed implementation framework covers four general categories: Pilot Project selection; definition of infrastructure; cost recovery framework; and data gathering. Interested parties were able to comment on the proposed framework consistent with the schedule and procedure described in the Rulemaking and on the scope, the schedule, and other procedural matters.

On December 18, 2017, the CPUC issued Decision D.17-12-004 which establishes the necessary framework to direct Utilities to implement not less than five dairy biomethane Pilot Projects. D.17-12-004 also directs the Utilities to issue a draft Solicitation for the Pilot Projects no later than January 18, 2018. The Selection Committee, made up of CPUC, ARB, and CDFA, controls the terms of the Solicitation and selects the Pilot Projects to move forward to contract with Utilities.

### 3.0 Pilot Project Program Eligibility Requirements

1. The Pilot Projects must utilize biomethane from California dairy operations and result in permanent, annual, and quantifiable Greenhouse Gas (GHG) emission reductions. A dairy operation is defined as an entity that operates a dairy herd, which produces milk, cream, or cheese commercially, and/or whose bulk milk or bulk cream is received or handled by any distributor, manufacturer, or any nonprofit cooperative association of dairy producers.
2. Compliance with the CPUC Strategic Directive on Safety: Under the CPUC Strategic Directive on Safety, the CPUC secures health and safety with a goal of achieving zero accidents and injuries. Within its jurisdictional authority, the CPUC focuses on safety policy, risk management, safety assurance, and safety promotion. The CPUC adopts leading safety policies and standards to maximize safety in a cost efficient manner above and beyond compliance. The CPUC continually identifies, assesses, mitigates, or eliminates the safety risk faced or posed. The CPUC assures that entities comply with the law and have sufficient resources to ensure the safety of the public, workers, and the environment. The CPUC supports efforts to assure that the public, workers and customers, are able to make informed choices and know how to respond to unsafe situations. The CPUC is committed to promoting and continuously improving safety culture.<sup>1</sup>

No funding can be awarded for pipeline construction that carries hydrogen sulfide (H<sub>2</sub>S) at concentration levels detrimental to human health and safety. All projects must submit a safety action plan with initial processes and procedures drafted that indicate potential unsafe conditions and preliminary processes and procedures delineated to respond to each.<sup>2</sup>

3. Existing dairy operations and developers who have a written commitment from a dairy operation are eligible for the Pilot Projects. At least 80% or more dry weight must be manure from dairy livestock.
4. A group of dairy operations can submit one Application to develop centralized dairy digesters, known as a “cluster” or “hub and spoke” project and describe the phased-approached or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The phased-approached cluster project must include a signed lease and feedstock agreement, not just a letter of interest or future addition. The appropriate location of the centralized biogas conditioning/upgrading facility can be determined by participating dairy operations.

<sup>1</sup>[http://www.cpuc.ca.gov/uploadedFiles/CPUC\\_Public\\_Website/Content/Transparency/Strategic\\_Planning\\_Initiative/Strategic\\_Directives\\_and\\_Governance\\_Policies\\_Revised\\_August%2010,2017.pdf](http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Transparency/Strategic_Planning_Initiative/Strategic_Directives_and_Governance_Policies_Revised_August%2010,2017.pdf)

<sup>2</sup> <https://www.osha.gov/SLTC/hydrogensulfide/hazards.html>

5. To be considered in the selection process, Applicants are required to meet and agree with the following requirements:
  - a. Demonstrate CEQA and Permits Compliance (see Section 7.2 and Attachment A)
  - b. Quantify expected GHG Emissions Reduction
    1. Applicants are required to use the quantification methodology titled “Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Dairy Digester Research and Development Program (DDRDP) Fiscal Year 2017-18” and associated DDRDP GHG Emission Reduction Calculator Tool (ARB GHG Reduction Calculator) developed by ARB. The quantification methodology and tool are available on ARB’s website at <http://www.arb.ca.gov/cqi-quantification>.
  - c. Biomethane produced by the Pilot Project must be used in California
  - d. Report parameters and participate in evaluation (See Section 7.3 and Attachment B)

These requirements allow for compliant operation of facilities under multi-level permitting regimes while ensuring protection of the environment, including reduced methane and criteria pollutant emissions. These terms are non-negotiable.

## 4.0 Dairy Pilot Project Components and Funding

A dairy cluster project consists of various components to move the biogas from each individual dairy to the Utility pipeline. Figure 1<sup>3</sup> illustrates and defines several components of a typical dairy Pilot Project that will be connected to a Utility pipeline.

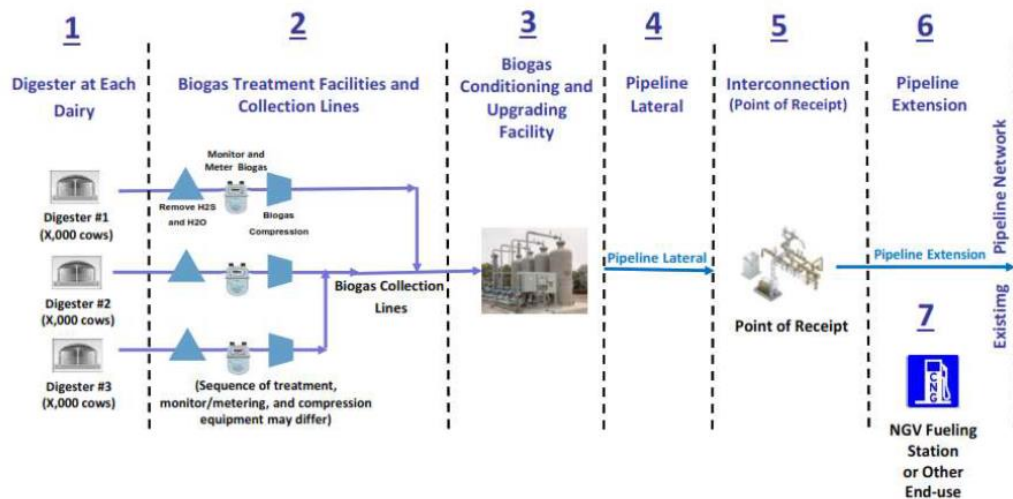


Figure 1: Dairy Biomethane Pilot Primary Components

<sup>3</sup> Figure 1 is from (D.)17-12-004, page 16

For the SB 1383 dairy Pilot Projects, the costs of digesters (Lane 1 of Figure 1), biogas conditioning and upgrading facility (Lane 3 of Figure 1) and NGV fueling station or other end-use (Lane 7 of Figure 1) are **not considered Pipeline Infrastructure** and are **not eligible for funding** from the Utilities.<sup>4</sup>

Biogas from livestock operations that do not directly produce dairy products (“non-dairy”), such as heifer operations, will be allowed to be injected into Pipeline Infrastructure. However, biogas treatment facilities at non-dairy livestock operations and collection lines connecting those non-dairy livestock operations to Pipeline Infrastructure, **are not considered Pipeline Infrastructure**, and **are not eligible for funding** from the Utilities in this Solicitation.

The following Pipeline Infrastructure components **are eligible for funding**:

- a) Biogas collection lines and facilities for treatment of biogas before it enters the collection lines (Lane 2 of Figure 1) – owned and operated by Applicant;
- b) Pipeline lateral and compression that delivers biogas from a biogas conditioning facility to the point of receipt (Lane 4 of Figure 1) – owned and operated by the Utility;
- c) Point of receipt, where the utility receives gas that has been upgraded at a biogas conditioning/upgrading facility (Lane 5 of Figure 1) – owned and operated by the Utility;
- d) Pipeline extension that delivers biogas to the Utility’s existing gas pipeline system (Lane 6 of Figure 1) – owned and operated by the Utility;

If a Pilot Project includes both delivery of biomethane to an onsite electric generator (e.g., combustion turbine, reciprocating internal combustion engine, microturbine or fuel cell) and injection of biomethane into the Utility pipeline, the Pipeline Infrastructure costs that are eligible for funding shall be reduced by the percentage of the biomethane that is delivered to an onsite electric generator, rather than injected into the Utility pipeline. This reimbursement reduction will not apply if the pipeline infrastructure is sized to an appropriate capacity for the amount of biomethane proposed for pipeline injection in the project’s application. This reimbursement reduction will apply if the pipeline infrastructure is sized to include an amount of biomethane that is dedicated for use in an onsite electric generator at the time of the project’s application.

If a Pilot Project obtains feedstock from non-dairy livestock operations, such as heifer operations, and directs biogas from that feedstock into Pipeline Infrastructure that is eligible for funding from the Utilities under Section 4.1 of this Final Solicitation, the Pilot Project is solely responsible for the costs of the biogas treatment facilities and collection lines from those “non-dairy” livestock operations. The Pilot Project is also solely responsible for the incremental cost increase to Pipeline Infrastructure caused by adding “non-dairy” livestock feedstock into Pipeline Infrastructure. An Applicant must include detailed information about this arrangement in the relevant portions of its application such as the general information located in Chapter 1, section 5.5.1 of this Final Solicitation, and the Dairy Waste-to-Biomethane Business Model in

<sup>4</sup> There are other potential sources of funding for these facilities, such as the CDFR Dairy Digester Grant Program and as stated in (D.)17-12-004, SoCalGas’ biogas conditioning and upgrading services tariff

Chapter 2, section 2.0 of this Final Solicitation.<sup>5</sup> If a Pilot Project decides to add such “non-dairy” livestock feedstock to its project after it is selected as a Pilot Project, the Pilot Project must alert the appropriate Utility and CPUC of that decision and include detailed information about this project addition as requested by the Utility and CPUC. The Applicant (or the Pilot Project) must itemize the incremental cost added to Pipeline Infrastructure by injecting the “non-dairy” livestock biogas into Pipeline Infrastructure for purposes of ensuring appropriate cost reimbursement.

#### **4.1 Applicant Ownership of Pipeline Infrastructure**

Applicant shall own, operate, and maintain in accordance with applicable safety regulations, the biogas collection lines and any biogas treatment or conditioning equipment (Lane 2) to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines. Applicant owned and operated gas gathering lines are regulated under California Code of Regulations (CCR) Title 8 Industry Safety Regulations.<sup>6</sup> The upfront costs<sup>7</sup> associated with the biogas collection lines and treatment equipment will be recovered from utility ratepayers and provided as a reimbursement to the Applicant. To ensure only reasonable and verified costs of Pipeline Infrastructure developed pursuant to the dairy Pilot Projects are collected from ratepayers, Applicant-owned Pipeline Infrastructure costs will be recorded in a Utility balancing account and costs above the bid amount will be subject to reasonableness review by the CPUC.<sup>8</sup> Selected Pilot Projects should keep detailed project and cost information, and be prepared to provide this information should a reasonableness review be necessary.

Applicant may pursue an operation and maintenance contract with an Investor Owned Utility or third party for the Applicant-owned biogas treatment facilities and collection lines so long as contract terms are known, clear, cost effective, and result in increased safety.

#### **4.2 Utility Ownership of Pipeline Infrastructure**

Utilities will own and operate all facilities downstream of the biogas conditioning and upgrading facilities (Lanes 4, 5 and 6), including pipeline lateral and compression from such facilities to the point of receipt and any pipeline extensions. These facilities are also referred to as Utility-Owned Pipeline Infrastructure. Utility owned and operated pipeline facilities are regulated in accordance with PHSMA guidelines, 49 CFR Part 192 and GO 112-F.<sup>9</sup>

<sup>5</sup> E.g., location of the non-dairy livestock operation, location of the interconnection of the non-dairy livestock biogas with the Pipeline Infrastructure, and methane reductions generated from the non-dairy livestock biogas.

<sup>6</sup> D.17-12-004, COL 4 (page 21)

<sup>7</sup> Excluding any operation and maintenance costs

<sup>8</sup> The bid amount refers to the estimates provided in an Application for Applicant-Owned Pipeline Infrastructure

<sup>9</sup> D.17-12-004, COL 4 (page 21)

## 5.0 How to Participate in the Solicitation

### 5.1 Schedule

The following is a schedule of planned milestones. This schedule is subject to change by the Selection Committee as required:

1. On **January 18, 2018**, SoCalGas will issue a draft joint utility Solicitation.
2. On **January 31, 2018**, SoCalGas will hold a bidder Workshop/Webinar to explain the Solicitation process, gather inputs to clarify the Solicitation process, and to answer questions. Energy Division and ARB staff will participate in the Workshop/Webinar to provide agency perspective.
3. By **February 5, 2018**, interested parties to file Comments to the draft Solicitation (refer to Section 5.3).
4. By **February 12, 2018**, interested parties to file Reply Comments to the draft Solicitation (refer to Section 5.3).
5. On **February 15, 2018**, SoCalGas shall make modifications deemed necessary and submit the revised draft joint utility Solicitation to the Selection Committee at [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) for review and approval. In the submittal, SoCalGas shall provide a short summary of bidders' input on the draft Solicitation and explain the reasons for adopting, modifying, or rejecting bidders' input.
6. On **March 7, 2018**, the Selection Committee will issue the final Solicitation to the market.
7. By **March 17, 2018**, Applicants must submit a request for the Utilities to perform a SB 1383 dairy pilot-specific "Pipeline Infrastructure Scoping and Cost Estimation," providing necessary data such as digester locations and characteristics of biomethane (volume, temperature, pressure, constituents, etc.).<sup>10</sup> A request should be made to the Utility where the proposed Pilot Project is located. As part of this Pipeline Infrastructure Scoping and Cost Estimation, the Utilities will perform the initial desktop engineering studies necessary to assess common-carrier natural gas pipeline offtake capacity, and provide a preliminary design and cost estimates of Utility-owned Pipeline Infrastructure. These costs will primarily be assessed from the engineering office and will not represent a fully-vetted, firm cost estimate. The results of this engineering study will be shared with each Applicant within 45 days of the Applicant's request. After receiving the engineering and cost estimate, the Applicants shall have 15 days to submit changes to its project description. If any changes are made, the Utilities will have another 15 days to provide a final Pipeline Infrastructure Scoping and Cost Estimation.
8. By **June 25, 2018**, Applicants will electronically submit an Application for their proposed dairy Pilot Project(s) to [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) and to the Utilities in their respective service

<sup>10</sup> The Pipeline Infrastructure Scoping and Cost Estimation is paid for by the Utility.

- territories (use email addresses listed in Chapter 1, Section 5.6) within 110 days following the issuing of the final Solicitation. The Pipeline Infrastructure Scoping and Cost Estimation should include two references to actual historical or current competitive cost data for similar work. The CPUC will evaluate cost estimations (both Utility-Owned Pipeline Infrastructure and Applicant-Owned Pipeline Infrastructure). The Selection Committee and/or independent auditors will evaluate and verify project benefits. The Selection Committee has the discretion to modify the cost estimation (both Applicant and Utility-Owned Pipeline Infrastructure) and GHG Reduction value used as an input for Financial Plan/Soundness (Chapter 2, Section 3.0) and GHG Reduction and Cost Effectiveness (Chapter 2, Section 4.0). Estimated cost documentation provided shall be itemized, such that the CPUC can understand the exact breakdown of labor, operations and maintenance, and capital expenditures for each job activity and each installed piece of equipment.
9. The Selection Committee will choose a short list of Pilot Projects (First Shortlist) based on the selection criteria and submit it to the Utilities to review and refine the Utility-Owned Pipeline Infrastructure cost estimates, including researching land acquisition, site development, right-of-way, metering, gas quality, compression requirements, permitting, regulatory, environmental, unusual construction, operating and maintenance costs.
  10. Within 30 days of receiving the Pilot Project shortlist from the Selection Committee, Utilities will provide refined cost estimates to the Selection Committee that includes reference to actual historical or current competitive cost data for similar work.
  11. Once the refined cost estimates are reviewed, the Selection Committee will submit to the Utilities a narrowed-down selection of at least five projects (Second Shortlist).
  12. Within 30 days of the selection of the final Pilot Projects, Utilities will complete a final Utility-Owned Pipeline Infrastructure cost estimate of projected revenue requirement, including a description of all costs of construction, development of complete engineering construction drawings, preparation of all construction and environmental permit applications and right-of-way acquisition requirements. Reference to actual historical or current competitive cost data for similar work should be included.
  13. With the final Utility-Owned Pipeline Infrastructure cost estimate, the Selection Committee will review and select at least five Pilot Projects based on the Selection Criteria. The Selection Committee has the discretion to choose dairy Pilot Projects that are not the highest scoring to ensure that dairy Pilot Projects are selected in a variety of geographic locations and are developed by at least two or more developers in order achieve project diversity. If there is no consensus within the Selection Committee, the CPUC will make the final selection.
  14. The Selection Committee will inform the Utilities of the selected Pilot Projects, and within 10 days of award, the Utilities will each file a Tier 2 Advice Letter to open a balancing account to record expenditures for biogas collection lines, and a memorandum account to record capital for point of receipts and pipeline extensions.

15. Within 30 days of the date the Selection Committee notifies the Utilities of the selected Pilot Projects, the Utilities will file a Tier 2 Advice Letter seeking approval of the contracts with the dairy Pilot Projects.
16. The Utilities will manage and implement the Pipeline Infrastructure portion of the Pilot Projects in their respective service territories.
17. The Utilities must work with the awarded Applicants to establish a construction plan for necessary Utility-owned Pipeline Infrastructure. The Utilities must pay for and construct the portion of a Pilot Project that is defined as Utility-owned Pipeline Infrastructure.

**5.2 Applicants Workshop**

The Utilities will conduct a workshop/webinar on the SB 1383 Solicitation process on January 31, 2018. All interested Applicants are encouraged to participate in the workshop and details are below:

California Department of Food and Agriculture, Room 101  
 2800 Gateway Oaks Dr,  
 Sacramento, CA 95833

January 31, 2018

1:00 p.m. to 3:00 p.m.

Webinar and call-in information will be posted to the CPUC’s website:

[http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/)

**5.3 Comments and Reply Comments to the Joint Utility Draft Solicitation**

Table 1 provides the schedule for interested parties to file Comments and Reply Comments to the joint utility draft Solicitation. Comments and Reply Comments shall be submitted to the (D.)17-12-004 service list. Comments and Reply Comments will be posted to the CPUC’s website at [http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/).

Comments Due By:	Reply Comments Due By:
February 5, 2018 by 5:00 p.m.	February 12, 2018 by 5:00 p.m.

**TABLE 1: Note: All times listed above are Pacific Standard Time (PST)**

**5.4 Questions and Answers to the Final Solicitation**

Questions pertaining to the final Solicitation issued by the Selection Committee should be submitted to [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov). Responses to all questions received will be posted to the CPUC’s website at [http://www.cpuc.ca.gov/renewable\\_natural\\_gas/](http://www.cpuc.ca.gov/renewable_natural_gas/).

To maintain the integrity of the competitive grant process, the Selection Committee is unable to advise and/or provide individuals with any information except through the process identified above.



## 5.5 Applicant Request for the Utility to Complete a Pipeline Infrastructure Scoping and Cost Estimation

As stated in Step 7 of Chapter 1, Section 5.1, the Applicant is required to submit a Pipeline Infrastructure Scoping and Cost Estimation by March 17<sup>th</sup>, 2018 to the Utility where the proposed dairy Pilot Project is located. The following information is to be submitted to each Utility:

### 5.5.1 General Information to be Provided by Applicant to Utility for Each Project

Provide a map that provides a project overview including:

1. The dairies where the Applicant has an agreement for the feedstock
2. The dairies where the Applicant does not have an agreement for the feedstock but could be added at a future time
3. The location of the dairy digesters: existing, under development, and planned
4. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas conditioning and upgrading facility
5. Location of the central biogas conditioning and upgrading facility
6. Location(s) of the proposed Utility point of receipt
7. Location(s) of the Utility pipeline extension
8. Identify public right-of-way and private right-of-way for each component

### 5.5.2 Utility Specific Information to be Provided by Applicant to Utility for Each Project

Applicant to complete the Utility form where the proposed project is located:

1. **SoCalGas and SDG&E** – Gas Supplier Interconnection Fact Sheet  
<https://www.socalgas.com/1443740708188/gas-supplier-interconnection-factsheet.pdf>
2. **PG&E** – Request for Gas Supply Interconnection  
[https://www.pge.com/pge\\_global/common/pdfs/for-our-business-partners/interconnection-renewables/interconnections-renewables/request-for-gas-supply-interconnection.pdf](https://www.pge.com/pge_global/common/pdfs/for-our-business-partners/interconnection-renewables/interconnections-renewables/request-for-gas-supply-interconnection.pdf)
3. **Southwest Gas** – To be included in the Final Solicitation

## 5.6 How to Apply

Applicants are requested to submit an electronic version of their Application in **PDF format** to the Selection Committee at [renewablegas@cpuc.ca.gov](mailto:renewablegas@cpuc.ca.gov) and to the Utilities within their respective

services territories. For SoCalGas and SDG&E, the email address is [SB1383Pilots@semprautilities.com](mailto:SB1383Pilots@semprautilities.com). For PG&E, the email address is [biomethane@pge.com](mailto:biomethane@pge.com). For Southwest Gas, the email address is [KeyAccountManagement@swgas.com](mailto:KeyAccountManagement@swgas.com). Chapter 2 of this Solicitation provides the required documentation for submitting an Application. Applications are due no later than June 25<sup>th</sup>, 2018 at 5:00 p.m. Applications received after this time **will not be accepted.**

## 6.0 Selection Criteria

A Selection Committee comprised of the CPUC as the lead agency, in consultation with ARB and CDEA will determine which dairy biomethane Pilot Project proposals are accepted for inclusion in the dairy Pilot Projects. Applicants shall submit a response that includes a detailed description of the proposed Pilot Project, its operational goals and objectives. The score will be based on the criterion chart below:

Scoring Criteria	Maximum Points
Dairy Waste-to-Biomethane Business Model <ul style="list-style-type: none"> <li>• Dairy Operation</li> <li>• Technology Plan</li> <li>• Marketing Plan</li> <li>• Scalability</li> </ul>	20
Financial Plan/Soundness	15
Greenhouse Gas Reduction and Cost Effectiveness	25
Environmental Benefits	15
Disadvantaged Communities	10
Project Readiness and Implementation	15

Pilot Project Applications will be evaluated and verified by the Selection Committee and/or independent auditors.

Pilot Projects with the five highest scores will be chosen for participation. However, the Selection Committee has the discretion to choose Pilot Projects that are not the highest scoring to ensure that Pilot Projects are selected in a variety of geographic locations and are developed by at least two or more developers to achieve project diversity. In the event of multiple Pilot Projects with identical scores as the fifth-highest, the CPUC representative on the Selection Committee has the discretion to authorize more than five Pilot Projects. The Pilot Projects selected are required to participate in a dairy biomethane evaluation study and to report specified data to the Selection Committee and the California Energy Commission (CEC) on an annual basis.

The Selection Committee may send project applicants written questions about their projects and applications and expect to receive written responses in 10 days.

Depending on the results of this solicitation, the Selection Committee can put forth a future solicitation at its discretion in order to comply with the terms of SB 1383.

## **7.0 Requirements for Selected Pilot Projects**

### **7.1 Agreement/Contracts**

Applicants with Selected Pilot Projects will receive a SB 1383 Agreement package with specific instructions regarding award requirements. Once the agreement(s) are executed, Selected Pilot Projects can begin implementation of the project. Selected Pilot Projects are responsible for the overall management of their awarded project to ensure all project activities are completed. It is required that selected projects will comply with the terms of their application for five (5) years from the date that the project receives Milestone Payment 3.

The target date for Selected Pilot Projects to be connected to the Utility pipeline and flowing renewable natural gas is two years after the Applicant has received notification by the Selection Committee of a successful Application. If the proposed project is not online in two years from the date of selection, the applicant must submit an Extension Request to the Selection Committee delineating project steps and expected online date.

### **7.2 Demonstrate CEQA Compliance**

Selected Pilot Projects must demonstrate substantial compliance with CEQA and all applicable permits within six months of receiving notification from the Selection Committee of a successful bid, with the opportunity to request additional time for good cause. More specifically, Pilot Projects must undergo any required CEQA process to provide information on potential impacts of the project. Continued compliance with all environmental permit requirements is required for the duration of the Pilot Project's operation. CEQA Guidance is located in Attachment A.

### **7.3 Reporting**

Selected Pilot Projects must agree to report specific data to the Selection Committee and the CEC on a quarterly basis. Pilot Projects must also agree to allow these agencies to monitor and evaluate these data. Pilot Projects have an obligation to report the costs incurred, by both the dairy and utility, as long as the pilots are operational or the costs from the Pilot Projects are included in Utility rates, but not to exceed 15 years. Finally, Pilot Projects must agree to participate in reasonable research projects undertaken by these State agencies, sometimes in collaboration with the dairy industry, designed to better understand the emissions profiles of the Pilot Projects, their cost and revenue potential, the relative effectiveness of various design features, as well as reasonable related data reporting parameters. Confidential business information evaluated during reporting,

monitoring, and subsequent research is protected from disclosure under existing law. Details of the report parameters and evaluations are located in Attachment B.

#### **7.4 Interaction Between Existing Public Funding Programs**

Applicant-owned Pipeline Infrastructure costs for which the applicant intends to or does pay with another source of public funding or statutorily authorized funding (such as AB 2313 or the CDFA Dairy Digester Research and Development Program) are not eligible for reimbursement. A project shall document how funds received pursuant to the dairy biomethane pilot project program are spent on costs not otherwise covered by another funding source.

#### **7.5 Reimbursement Mechanism for Applicant-Owned Pipeline Infrastructure**

There will be a milestone payment reimbursement structure for Applicant-Owned Pipeline Infrastructure as follows:

**Milestone Payment 1:** When a selected pilot project spends 35% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 2:** When the selected pilot project spends 70% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project can seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 3:** Reimbursement payment up to 15% of the approved bid amount for Applicant-Owned Pipeline Infrastructure will be provided to the selected pilot project after meeting the 30 out of 40 days flow requirement as established in the Biomethane Monetary Incentive Program established in D.15-06-029, as modified by D.16-12-043:

Applicant to produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of the meter. Applicant must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Applicant is unable to produce flow because of an interruption of delivery as set forth in Rule No. 23. Applicants may elect to restart the 40 day testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.<sup>11</sup>

<sup>11</sup> See D.15-06-029, p. 42, Conclusion of Law 12; D.16-12-043, pp. 33, 42, Conclusion of Law 2.

Once the 30 out of 40 days flow requirement is met, the selected pilot project must provide the appropriate utility with detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed 15% of the bid amount for Applicant-Owned Pipeline Infrastructure for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

**Milestone Payment 4:** The final reimbursement payment of up to 15% of the bid amount for the Applicant-Owned Pipeline Infrastructure will be provided to the selected pilot project after meeting the forecasted renewable natural gas production volume as provided in the solicitation application. Once this requirement is met, the selected pilot project must provide detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the bid amount for Applicant-Owned Pipeline Infrastructure to the appropriate utility for approval. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s). The final reimbursement payment will be available for 2 years, starting from the date the 30 out of 40 days flow requirement is met.

- Utilities shall submit reimbursement summaries to the Selection Committee & make all receipts reviewable available upon request.
- If a selected project withdraws from the pilot and has incurred any costs, the project must return any funds received.

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# CHAPTER 1 – Attachments

## ATTACHMENT A: CEQA Guidance

1. **Air Quality Protection.** Projects shall demonstrate protection of air quality such that project specific air quality impacts are mitigated to a level of insignificance. The design and construction of digester vessels (i.e., ponds and tanks), low pressure raw biogas pipeline, biogas upgrading and conditioning equipment, biomethane compression equipment, post-cleanup pipeline and interconnection components under this program shall be demonstrated to be protective of air quality. To meet air quality requirements, the following is required:
  - a. Pilot Projects must prepare and deploy methane leak detection or a plan covering the interconnection point, post-upgrading pipeline, compressor stations, biogas upgrading system, low-pressure pipeline, and anaerobic digester. Post-upgrading component methane leak monitoring shall be conducted in accordance with the leak<sup>12</sup> detection and repair<sup>13</sup> requirements of Section 95669 (Leak Detection and Repair) of the ARB Oil and Gas Regulation (California Code of Regulations, Title 17, Division 3, Chapter 1, Subchapter 10 Climate Change, Article 4)<sup>14</sup> and is the responsibility of the gas corporations. The cost of methane leak detection equipment is recoverable in rates.
  - b. Projects with existing or planned onsite generation technologies operating on dairy biogas (e.g., combustion turbine, reciprocating internal combustion engines, microturbines or fuel cells) must meet Best Available Control Technology (BACT) standards under new source review and shall demonstrate compliance for the life of the project.
  - c. Flaring of raw biogas or biomethane meeting pipeline specifications shall only be allowed in case of emergency. The local Air District(s) shall define what constitutes an emergency under this provision.
  - d. Any offsite emission reductions to offset a project's criteria pollutant and toxic air contaminant emissions must occur in the same air basin as the project site.
2. **Water Quality.** Projects shall demonstrate protection of water. The design and construction of digester vessels (i.e., ponds and tanks) under this program shall be demonstrated to be protective of surface and ground water quality as determined by the appropriate regional water quality control board, including, but not limited to, each of the following:
  - a. Double-lined ponds consistent with the Tier 1 specification of the Dairy General Order (R5-2013-0122) of the Central Valley Regional Water Quality Control Board;
  - b. Above-ground tank;
  - c. Below-grade concrete lined tank

<sup>12</sup> Leak is defined in § 95667 (a)(27) of the ARB Oil and Gas Regulation as “the unintentional release of emissions at a rate greater than or equal to the leak thresholds specified in this subarticle.”

<sup>13</sup> Leak detection and repair is defined in § 95667 (a)(28) of the ARB Oil and Gas Regulation as “the inspection of components to detect leaks of total hydrocarbons and the repair of components with leaks above the standards specified in this subarticle and within the timeframes specified in this subarticle.”

<sup>14</sup> Text of the Oil and Gas Regulation, effective October 1, 2017 is available at: <https://www.arb.ca.gov/regact/2016/oilandgas2016/ogfro.pdf>

## **ATTACHMENT B: Data Reporting Parameters and Participation in Evaluations**

Each selected dairy Pilot Project must participate in data reporting and evaluations and shall be submitted to the Selection Committee and CEC on a quarterly basis. Commercially sensitive data may be submitted with a request for limits on disclosure. Data reporting includes:

- A. Pilot Project Information and Description, including (but not limited to):
  1. Location
  2. Detailed dairy cow population (by dairy for clusters, segregated by age, gender, and lactation status)
  3. Discussion of business model
  4. Demonstrated dairy/site control for third party developer projects
  5. Description of current manure handling and all proposed modifications
  6. Description of equipment to be installed, including location of any centralized facilities shared between dairies
  7. Proximity to pipeline with injection capacity
  8. Proximity to transportation corridors
  9. Proximity to disadvantaged communities as defined by the Office of Environmental Health Hazard Assessment (OEHHA) by CalEnviroScreen 3.0.
  10. Description of related on- and off-dairy heavy-duty vehicle fleets (milk hauling, feed delivery) that could potentially be converted to low-NOx natural gas power.
  11. Discussion of fuel and transportation off-taker contracts completed or under development.
  
- B. Provide all information listed in the “FAAST Grant Application Questions”<sup>15</sup> section of the CDFA’s 2017 Dairy Digester Research and Development Program Solicitation.
  
- C. Costs, including but not limited to:
  1. Project Development and Construction, including the cost of design, engineering, installation, and individual component capital costs (e.g. including digesters, gathering lines, biomethane upgrading/conditioning, and pipeline injection point of receipt), including how any project delays impacted costs;
  2. Interconnection Studies;
  3. Component Operation and Maintenance (including consumables, labor, and energy requirements); and
  4. Description (including total amounts) of costs recovered through the utility ratebase.

<sup>15</sup> Referenced material currently begins on page 12 of the May 3, 2017 Request for DDRDP Grant Applications <https://www.cdfa.ca.gov/oefi/ddrdp/>



D. Costs shall also be reported as follows:

1. Energy production cost-effectiveness (annual diesel gallon equivalents (DGEs) produced divided by annualized project expenditures);
2. Methane emissions abatement cost effectiveness (annual emissions avoided divided by annualized project expenditures); and
3. Percent of total project costs recovered from utility ratepayers (defined as Pipeline Infrastructure Costs).

E. Project developers agree to allow the following to be monitored, evaluated, or otherwise studied:

1. Feasibility
2. Cost-effectiveness
3. Method to track and verify delivery of biomethane to transportation fuel fleets or customers
4. Determinants of technical performance, including the following:
  - i. Emissions (GHG and criteria) and emissions reductions
    - Methane emission reductions must be calculated using either the ARB Livestock Projects Compliance Offset Protocol<sup>16</sup> or the FY 17/18 CDFA Dairy Digester Research and Development Program Quantification Methodology.<sup>17</sup>
    - Projects are required to provide GHG calculations in the following formats:
      - Total annual biomethane injection;
      - Total annual GHG emission reduction;
      - GHG reduction per unit of energy-corrected milk (ECM) produced by the dairy operation;
      - GHG reduction per dollar CDFA-DDRDP and additional GGRF (if any) grant money invested. (If applicable)
  - ii. Renewable energy potential (amount of biogas and fuel produced)
  - iii. Effectiveness of selected technology components
    - Dairy digestion technology, including monitoring and testing of baseline and post-digester emissions, at a minimum methane, nitrous oxide, criteria pollutants, and toxic air contaminants from anaerobic digestion, handling of post-digestion manure, and any other air emissions from a project
    - Biogas upgrading and conditioning, including monitoring biogas quality achieved pre- and post-cleanup by methods including, but not limited to standard leak-detection and remote sensing

<sup>16</sup> Information on the ARB Livestock Projects Compliance Offset Protocol available on the ARB website at: <https://www.arb.ca.gov/cc/capandtrade/protocols/livestock/livestock.htm>

<sup>17</sup> The Greenhouse Gas Quantification Methodology for the CDFA DDRDP is available at: [https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/cdfa\\_ddrdp\\_finalqm\\_17-18.pdf](https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/cdfa_ddrdp_finalqm_17-18.pdf)

- Pipeline and interconnection point of receipt
- iv. Impact on daily operation of dairy
  - v. Lessons learned
    - Key ingredients for success
    - Pitfalls to avoid
    - Potential for cost reductions
    - Transferability to other biomethane submarkets (e.g., wastewater treatment plants, organic diversion at landfills, food waste)
  - vi. Scalability and replication potential
5. Future research<sup>18</sup> related to understanding and encouraging dairy pipeline injection projects.
- F. Prior to project initiation,<sup>19</sup> project developers must conduct reasonable outreach to neighboring disadvantaged communities identified by CalEnviroScreen 3.0,<sup>20</sup> as specified by the Selection Committee, and CEC as appropriate, concerning project benefits, impacts, and measures that will increase benefits and reduce impacts. Input from the communities must be solicited, recorded, and (when feasible) incorporated into development plans. Agency representatives will attend the outreach events when feasible. Summaries of comments received, and proposed responses to each will be prepared and submitted to the agencies for approval.

<sup>18</sup> This requirement allows for appropriate planning and allocation of funding and resources for integrated interagency research plans and projects which may not be finalized before the release and adoption of the Rulemaking. ARB desires to retain the right to conduct reasonable research on pilot project facilities in the event that research plans and projects are not finalized before pilots are selected.

<sup>19</sup> For the purposes of the pilot project selections, ARB defines “prior to project initiation” for environmental justice outreach purposes as meaning before biomethane commences injection into the natural gas pipeline network.

<sup>20</sup> Information on CalEnviroScreen 3.0 is available at: <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

## **ATTACHMENT C: Confidentiality**

### **Selection Committee Confidentiality Requirements**

For the solicitation process, utilities will treat information confidentially as follows:

### **Utility Confidentiality Requirements**

- **SoCalGas and SDG&E**

When a party requests an Interconnection Capacity Study under the existing Rule 39 process, one of the first steps is for the party and SoCalGas/SDG&E to execute a Non-Disclosure Agreement (NDA) to ensure information exchanged remains confidential. SoCalGas and SDG&E will utilize this same existing procedure for the Solicitation and will execute a NDA with the Applicant immediately after the Applicant requests a Pipeline Infrastructure Scoping and Cost Estimation (Step 7 of Chapter 1, Section 5.1). This will ensure the information exchanged during the Solicitation process will be treated as confidential.

- **PG&E**

At the time Applicants submit a request for PG&E to perform a “Pipeline Infrastructure Scoping and Cost Estimation” (Step 7 of Chapter 1, Section 5.1), PG&E will require execution of a Non-Disclosure Agreement to protect proprietary information furnished to the Applicant.

- **Southwest Gas**

As applicable, Southwest Gas will negotiate an NDA with Applicants to ensure information exchanged remains confidential.

**ATTACHMENT D: Key Terms and Definitions**

Word/Term	Definition
Applicant(s)	The respondent(s) to this solicitation
Applicant-Owned Pipeline Infrastructure	Applicant shall own and operate the biogas collection lines and any biogas treatment or conditioning equipment to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines (refer to Chapter 1, Section 4.0, Figure 1, Lane 2)
Application	An applicant's formal written response to this solicitation
Greenhouse Gas (GHG) Emissions Reduction	A calculated decrease in GHG emissions relative to a project baseline scenario over a specified period of time.
Pilot Pilots	Dairy pilot projects that propose to demonstrate interconnection to the common carrier pipeline system under SB 1383
Pipeline Infrastructure	Includes both Applicant-Owned Pipeline Infrastructure and Utility-Owned Pipeline Infrastructure (refer to Chapter 1, Section 4.0, Figure 1, Lanes 2, 4, 5 and 6)
Rulemaking	CPUC (R.) 17-06-015
Selected Pilot Projects	Dairy Pilot Projects selected by the Selection Committee to demonstrate interconnection to the common carrier pipeline system under SB 1383
Selection Committee	Made up of CPUC, ARB, and CDFA, controls the terms of the Solicitation and selects the Pilot Projects to move forward to contract with Utilities
Selection Criteria	As described in Chapter 1, Section 6.0
Utility or Utilities	Pacific Gas & Electric (PG&E), San Diego Gas and Electric (SDG&E), SoCalGas, and Southwest Gas Corporation (Southwest Gas)
Utility-Owned Pipeline Infrastructure	Utility owned and operated pipeline lateral and compression, interconnection point of receipt, and interconnection pipeline extension (refer to Chapter 1, Section 4.0, Figure 1, Lanes 4-6)

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## CHAPTER 2: Required Documentation For Submitting Application

**Include:** Applicant shall respond to all questions in adequate detail for Sections 1 to 7 below, which will be inputs for the Selection Criteria.

**Format for Submittal:** Times New Roman font size 11, 1 inch margins, and single-spaced. Do not change order of sections, margins, font size, or spacing. Label all supplemental attachments according to their numbering below. If providing additional supporting documentation, commence numbering and make it clear which Application section it applies to.

### 1. Pilot Project Basics

<b>Pilot Project Name:</b>	
<b>Applicant Entity:</b>	
<b>Additional Pilot Project Partners:</b>	
<b>Dairy Cluster? (Y/N):</b>	
<b>Dairy Location(s) - City, County:</b>	
<b>Existing Digester(s)? (Y/N):</b>	
<b>Existing or Anticipated Contract(s) for Electric Generation? (Y/N):</b>	
<b>Primary Contact Name:</b>	
<b>Primary Contact Email:</b>	
<b>Primary Contact Phone:</b>	
<b>Executed Feedstock Agreement</b>	
<b>Existing Site Control Agreement</b>	

### 2.0 Dairy Waste-to-Biomethane Business Model (Maximum Points = 20)

#### 2.1 Dairy Operation

- 1) Provide the details of the history and background for each dairy operation for the Pilot Project.
  - a. Provide herd size and breed, including average number of lactating cows (in freestalls and in open lot corrals), dry cows, replacement calves, replacement heifers, and any other livestock for each dairy.
  - b. Explain the current management practices in detail, including a description of lagoon(s) size (depth and volume) if currently using lagoon storage, parlor water use, bedding type, method and frequency of manure collection including percent of manure collected from each production group (i.e., lactating cows, heifers etc.).

- c. As **Attachment 1**, include a schematic diagram showing total solids flows into and lost from the manure treatment system.
  - d. Provide details of quantity, location, and source of manure and other materials (if any) digested, and quantify minimum daily total solids loads needed for the system to operate optimally.
  - e. Explain if each facility will be able to guarantee the minimum feedstock needed for each digester, and how manure will be handled when the system is not operational.
- 2) For the Pilot Project, describe the phased-approach or the full cluster plan (e.g., construction, operation timeline, number of dairies in total cluster and amount of biomethane that will be generated in each phase of the cluster construction). The Selection Committee will only consider GHG emission reductions based on executed feedstock agreements in this scoring criteria. The Selection Committee may also review and consider future expected feedstock agreements, but these non-executed agreements will not be considered for methane destruction scoring purposes.
  - 3) Explain in detail how current dairy manure management operations compare to the proposed pilot methane management operations.
  - 4) As **Attachment 2**, provide a map (as included in your Pipeline Infrastructure Scoping and Cost Estimation Request) that provides a project overview including:
    - a. The dairies where the developer has an agreement for the feedstock
    - b. The dairies where the developer does not have an agreement for the feedstock but could be added at a future time
    - c. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas upgrading facility
    - d. Location of the central biogas upgrading facility
    - e. Location of the utility point of receipt
    - f. Location of the utility pipeline extension
    - g. Identify public right-of-way and private right-of-way for each component

## 2.2 Technology Plan

- 1) Dairy Digesters
  - a) Describe the proposed digester technologies in sufficient detail to explain how it works and its technical feasibility and/or commercialization status.
  - b) Provide a clear description about what the Pilot Project is currently committed to accomplish and future plans.
  - c) In **Attachment 3**, provide Project design documents, including schematics, figures, graphics and plans, must be submitted as part of the Application. Project designs must be approved by a licensed professional engineer. Details such as digester volume, solids and hydraulic retention times and mass balance through the digester must be included. Mass balance must be illustrated in an annotated diagram with the following components clearly indicated:
    - Manure input rate (mass or gallons with estimated total solids)
    - Digestate outflow rate (mass or volume with estimated total solids)
    - Expected bio-gas flow with methane content estimate.
- 2) Biogas Collection Lines
  - a) Describe how biogas collection lines will be maintained in accordance with city, state and local codes, and any other codes and regulations that are applicable.
  - b) Describe any additional measures, beyond what is required in code, that will be taken to ensure the safe installation (e.g., installation depth, utility clearance, safety tape/mesh).
  - c) Describe any additional measures, beyond what is required in code, that will be taken to ensure the ongoing safety performance with operation and maintenance of the pipelines (e.g., leak survey, valve installation).

- d) Describe any permits required for the installation and maintenance of the biogas collection lines and the status of each permit.
  - e) Describe how to manage any condensates in the lines and monitoring of integrity.
  - f) As **Attachment 4** provide a diagram or a drawing showing the expected pressures and temperatures at various points in the biogas collection lines. Provide the type(s) of materials used to create the biogas collection lines.
- 3) Biogas Conditioning and Upgrading Facility
- a) Describe the proposed biogas conditioning/upgrading technologies in sufficient detail to explain how it works and its technical feasibility and/or commercialization status.
  - b) Describe any gas processing of the biogas at each dairy prior to the biogas entering collection lines.
  - c) Describe any gas compression of the biogas to be done at each dairy prior to the biogas entering the collection lines.
  - d) In **Attachment 5** provide the following:
    - Process flow diagrams for the central biogas conditioning and upgrading facility, include expected pressure of the biogas entering the central biogas conditioning and upgrading facility.
    - Describe the design parameters for the biogas upgrading facility:
      - Flow capacity
      - Gas composition of feed gas
      - Gas composition of product gas
      - Heat and Material Balance
      - Preliminary calculations
      - Equipment data sheets
      - Utility requirements
      - Chemicals used (provide Safety Data Sheets)
  - e) Describe the nitrogen and oxygen removal capabilities (include maximum levels). If so, what are the maximum levels of nitrogen and oxygen while still able to meet the utility pipeline quality specifications.
  - f) Describe any performance guarantees provided by the biogas upgrading system vendors.
  - g) Should the renewable natural gas not meet pipeline quality specifications and the Utility does not accept the gas into the common carrier pipeline, explain how the applicant will remedy this situation, including description of how any non-compliant gas and upstream gas production will be managed through this process.
  - h) Describe how the biogas upgrading facility will be installed in accordance with city, state and local codes, and any other codes and regulations that are applicable
  - i) Describe any additional measures, beyond what is required in code, that will be taken to ensure safe installation
  - j) Describe any additional measures, beyond what is required in code, that will be taken to ensure the ongoing safety performance with operation and maintenance of the biogas upgrading facility
  - k) Describe any permits required for the installation and maintenance of the biogas upgrading facility and the status of each permit
  - l) Describe expected amount of tail gas flaring, including methane content and expected combustion emissions.



- 4) Pipeline Lateral and Compression
  - a) Provide the distance from the biogas conditioning and upgrading facility to the point of receipt.
  - b) Provide the expected pressure (minimum, average and maximum in psig), temperature, gas composition, and volumes (minimum, expected average and maximum in standard cubic feet per hour) of the renewable natural gas leaving the biogas conditioning and upgrading facility and entering the pipeline lateral.
  - c) Provide site conditions including ambient temperatures, elevation and available utilities.
- 5) Complete End-to-End Technology Solution (Digester to Central Conditioning/Upgrading Facility)
  - a) Describe how proposed technologies and processes contribute to the facility's/project's ability to compete in the commercial California marketplace. Provide assumptions and sources of relevant data.
  - b) Identify and document the role of technology partners, including the legal or contractual relationship and obligations between partners.
  - c) If applicable, discuss how the proposed technology is a transformative approach to tackling a critical technology issue or market barrier.

### **2.3 Marketing Plan**

- 1) Identify credible target markets for biomethane, market drivers, and anticipated market growth.
- 2) Identify market barriers to the development of dairy biomethane, including existing or potential competitions, and how the Pilot Project will overcome them.
- 3) Describe and document the role of strategic marketing partners, customers, and other partners in ensuring Pilot Project success, including fuel and co-product off-take agreements (existing or conditional agreements).
- 4) Submit preliminary draft 1-page summary showcasing the benefits of the project. Please include information for public consumption including: costs, benefits, uses of new technology, partnerships, community benefits, any other information that could be provided to the public to explain why the project is of benefit to the State of California.

### **2.4 Scalability**

- 1) Discuss the replicability of the proposed digester and conditioning technologies and the long-term viability of scaling up capacity.
- 2) Describe how feasible it is for the interconnect location to accept biomethane from potential additional digesters.
- 3) Describe the potential for future expected feedstock agreements and the expected timing for such agreements and the inclusion of such feedstock in proposed Pipeline Infrastructure.

### **2.5 Project Team Qualifications**

- 1) Provide a list of team members along with a short description of their qualifications, experience, technical expertise, capabilities, and credentials (e.g., a professional resume). This must include at a minimum, project developers, project manager, and participating dairy farmer(s). Applicant must identify why this particular team composition and representation will enable successful implementation of the proposed work plan. Collaboration is encouraged.

- 2) If a Pilot Project is being submitted by a project developer, a contractual agreement documenting project support from the dairy producer(s) must be included as **Attachment 6**. Letters of commitment from team members demonstrating understanding of their participation and specific role(s) in the Pilot Project must also be included.
- 3) Provide an explanation of how various tasks will be managed and coordinated and how the Pilot Project manager's technical expertise will help achieve the goals of the project. Describe previous experience of the Pilot Project team with dairy digester projects in California or other parts of the United States.
- 4) List past successful digester projects developed by the Pilot Project team, including digesters implemented in California and their operational status.

## 2.6 Long Term Viability of Project

- 1) Demonstrate how the operations and maintenance costs of the Pilot Project will be sustained for the life of the Pilot Project. Explain all ongoing funding sources for the Pilot Project. List personnel positions assigned to carry out operations and maintenance through the life of the Pilot Project.
- 2) Examine, compare and describe the availability of required replacement parts and qualified service personnel to keep the system operating as effectively as possible with a minimum amount of downtime for repairs or maintenance. Provide information regarding availability of replacement parts and qualified service technicians, the cost of commonly replaced parts/services, and the availability of included maintenance packages.

## 3.0 Financial Plan/Soundness (Maximum Points = 15)

### 3.1 Economic Viability

- 1) Demonstrate economic viability of the proposed Pilot Project by providing the following financial documentation (with assumptions listed) over the duration of the proposed Pilot Project.
- 2) In **Attachment 7** provide balance sheet and cash flow statements for the past three (3) year for Applicant's firm and any other partners that have a substantial stake in the Pilot Projects, if available. Documents must be audited and certified by a Certified Public Accountant (CPA). If audited financial statements are not available by submission date, then financial statements certified by a CPA are acceptable.
- 3) In **Attachment 8** provide five-year pro forma financial statements for Applicant's firm and any other partners that have a substantial stake in Pilot Project, including projected balance sheet, income statement, cash flow statement, and debt service schedule for existing and planned long-term debt, if any. List assumptions, including but not limited to, market supply and demand conditions of the industry, market fluctuations, and monthly or quarterly fixed costs and variable costs.
- 4) In **Attachment 9** (the Project Scoping and Cost Estimation) provide Applicant's estimated costs should include the following: Pipeline Infrastructure (include all Applicant and Utility owned infrastructure costs, biogas treatment facilities and collection lines and compression, point of receipt, pipeline lateral and Utility-owned compression, pipeline extension, etc.), equipment (e.g., valves, meters, and protection devices), digester, conditioning facility, design, engineering, and installation costs. Within each job activity, cost should be broken down by labor, operation and maintenance, and each installed piece of equipment. At least two references to actual historical or current competitive cost data for similar work must be included to justify the cost for biogas collection line, conditioning equipment to remove hydrogen sulfide and water from the raw biogas, pipeline lateral, point of receipt, and pipeline extension. CPUC has the discretion to modify the cost estimation. An Applicant pursuing a phased approach to its project should include anticipated costs of all phases of the Pilot Project. The phased-approached cluster Pilot Project must include a signed lease and a feedstock agreement, not just a letter of interest or future

addition. Include all Utility supporting documentation, reports, studies, etc. used to calculate Utility owned infrastructure costs.

- 5) Identify applicant's sources of funding for the Pilot Project, such as grants, loans and equity contributions, and types, terms, and conditions of match agreements. If funding is from a public funding source, identify what project components will be paid for by the public funding source. Project funding should be described by both financial resources and percentage of total equity. Provide contact information for each match source.
- 6) Identify the financial risks to the proposed Pilot Project and describe the methods the Applicant will use to effectively manage and mitigate those risks. At a minimum, Applicant should address risks associated with construction, cost overruns, operation, maintenance, technology, regulations, and economic conditions.
- 7) Demonstrate the economic viability of the long-term plan following Pilot Project completion.
- 8) Identify and demonstrate how co-products or other revenue streams contribute to the business plan. Discuss assumptions about expected income from all revenue sources. Discuss how much Pilot Project viability depends on co-product revenues.
- 9) Discuss estimated values and planned disposition of any potential Low Carbon Fuel Standard credits, Renewable Fuel Standard Program credits (RINs), and/or carbon cap-and-trade credits.
- 10) List any pending or filed litigation in which Applicant is a party, and explain the extent of Applicant's liability coverage, if any. **Please list only litigation that pertains to or impacts the Pilot Project's execution. Explain how the pending or filed litigation affects the applicant's ability to complete and/or operate the Pilot Project.**
- 11) Will any of the biogas flowing through the collection lines not be injected into the utility pipeline system? If yes, please provide: 1) the expected total volume (standard cubic feet per day) of biogas flowing through the collection lines and 2) the volume of biogas flowing through the collection lines that will not be injected into the pipeline and the end-use equipment for this biogas.
- 12) In **Attachment 10** provide the Applicant's proposed schedule. The schedule should include the tasks identified in Attachment 9, the Project Scoping and Cost Estimation. CPUC has the discretion to modify the project schedule. An Applicant pursuing a phased approach to its project should include anticipated schedule of all phases and major milestones of the Pilot Project. Include the permitting schedule (as described in Chapter 2, Section 7.1).

## 4.0 GHG Reduction and Cost Effectiveness (Maximum Points = 25)

### 4.1 Greenhouse Gas Reduction

Explain how the proposed Pilot Project will result in reduction of metric tonnes of GHG emission annually compared to existing practices for the dairy. Provide the estimated GHG emission reduction resulting from the proposed Pilot Project(s) based on executed feedstock agreements. The Selection Committee will not consider GHG emission reductions that are based on future expected feedstock agreements in this scoring criteria. Download and complete the ARB GHG Emissions Reduction Calculation Tool. Scroll down and select latest version of the CDFA Dairy Digester Research and Development Program. The tool may allow applicant to change the default setting if justification is made with reference to research studies (e.g., electrical conversion efficiency for specific technology). However, this setting is currently being evaluated by ARB and CDFA and may change in future versions.

<https://www.arb.ca.gov/cc/capandtrade/auctionproceeds/quantification.htm>

### 4.2 Cost-Effectiveness

A higher score will be given to Pilot Projects providing the greatest GHG emissions reductions per dollar invested (cost-effectiveness). Provide a description and relevant documentations of the cost effectiveness of

the proposed Pilot Project, measured according to a standard cost-effectiveness metric. A standard cost-effectiveness methodology is dividing the amount of estimated methane emission reductions, based on executed feedstock agreements, over 10 years based on the California Air Resources Board's "Dairy Digester GHG Emission Reduction Calculator" by the total cost of the project based on the Pipeline Infrastructure costs which includes utility reimbursement for biogas collection line(s) and the utility's "Project Scoping and Cost Estimation," (Attachment 9) which includes construction, maintenance and operation cost for pipeline lateral, compression, point of receipt, and pipeline extension. The Selection Committee will not consider GHG emissions reductions that are based on future expected feedstock agreements in this scoring criteria.

- Please indicate in cost estimates what costs are related to safety as these costs are necessary components of the dairy pilots.

### 4.3 Justification and Reference Requirement

Inputs to the applicant's GHG emission reduction and the cost estimation may be added or modified if the Selection Committee finds it inadequate. Justification must be made if there are changes to the default setting in the GHG emission calculation tools. At least two references are required to support the cost estimation. References should include historical or current competitive cost data for similar work.

## 5.0 Environmental Benefits (Maximum Points = 15)

### 5.1 NOx and Criteria Pollutants

- 1) Priority will be given to projects based on the criteria pollution benefits achieved by the project. Describe the Pilot Project's impact on NOx, other criteria pollutants, toxic air contaminants and hazardous air pollutants. Include all potential emission sources and how emissions would change before and after implementation of project. In **Attachment 11** provide supporting documents to support written explanation. Examples of options that can reduce or minimize generation of air pollutants mentioned above include, but are not limited to, upgrading biogas to biomethane for vehicle fuel production (either onsite or through injection into a common Carrier Pipeline), Microturbine Installation (onsite Electrical Generation), Fuel Cell Installation (Onsite Electrical Generation), Natural Gas Process Fuel Replacement, Agricultural Pump Electrification.
- 2) A higher score will be given to Pilot Projects that minimize criteria pollutant and Toxic Air Contaminant (TAC) emissions and maximize net criteria pollutant reductions.

### 5.2 Mitigate Emissions On-Site

Explain how the proposed Pilot Project will incorporate feasible mitigation measures, in accordance with the California Environmental Quality Act, to mitigate to a level that is less than significant, any potential adverse impact on local air quality from project specific criteria pollutants and TAC emissions from all aspects related to the project, including emissions resulting from construction, operation of the project, and resultant increases in vehicle miles travelled to and from the project site. Emissions not associated with the operation of the pilot project (e.g., agriculture pumps, normal farm vehicle operation, etc.) do not require mitigation. Any offsite mitigation of project's criteria pollutant and TAC emissions must occur in the same air basin as the project site.

- Describe related on-dairy heavy-duty vehicle fleets (milk hauling, feed delivery) that could potentially be converted to low-NOx natural gas power.

### 5.3 Mitigate Emissions Off-Site

Explain how the proposed pilot project reduces net criteria pollutant emissions.

- 1) Provide information and description of the project's proximity to transportation corridors.

- 2) In **Attachment 12** provide documents that support vehicle fuel sold to and utilized by freight transport vehicles along the State's major freight and transportation corridors (e.g., Interstate 5, State Route 99) or other locations.
- 3) In **Attachment 13** provide documents that verify any partnership with local delivery fleets (e.g. milk hauling, feed delivery) to convert diesel freight vehicles to natural gas vehicles and supply them with renewable compressed natural gas from a pilot injection project. These conversions will reduce NOx and diesel particulate matter of existing fleets.
- 4) In **Attachment 14** provide documents that verify contracts for the use of pipeline-injected renewable natural gas in electricity generation.

#### 5.4 Project Co-Benefits

Describe any additional environmental co-benefits the project will have beyond methane reductions and mitigation of NOx and other criteria pollutants, toxic air contaminants and hazardous air pollutants. Provide an explanation of additional co-benefits provided by the Pilot Project by written explanation, supporting documentation and citations from published literature. Examples of additional co-benefits that can potentially increase the project ranking include, but not limited to: clustering of projects; water conservation measures; water quality improvements; development of value-added post-methane production products such as fertilizers and soil amendments; utilization of waste heat; and expanding RCNG vehicle fuel network and on-farm equipment or transportation fleet conversion from fossil fuel use to electricity, RCNG or CNG.

## 6.0 Disadvantaged Communities (Maximum Points = 10)

### 6.1 Community Impacts and Mitigation

A proposed Pilot Project that thoroughly explains, discusses, quantifies, and mitigates impacts and demonstrates outreach and engagement efforts will receive higher scores (e.g., a community benefit agreement will receive a higher score compared to community meeting summary).

- 1) Provide information and describe the project's proximity to disadvantaged communities.
- 2) Discuss and quantify the potential impacts (positive or negative) of the proposed Pilot Project on disadvantaged communities within California (within the top 25 percent of disadvantaged communities as defined by CalEnviroScreen 3.0).<sup>21</sup>
- 3) Describe in detail specific mitigation measures that will be included in the Pilot Project, including but not limited to, methods to mitigate impacts such as toxic air contaminants, hazardous air pollutants, criteria pollutants, groundwater and surface water impacts, truck traffic, and odor.
- 4) Describe how the Pilot Project proponent(s) engaged the community. Did community-based non-profit organization(s) involved in potentially impacted communities provide assistance in engagement efforts? Did discussion include potential adverse impacts of proposed Pilot Project(s), including a net increase in criteria pollutants, toxic air contaminants, hazardous air pollutants, groundwater and surface water impacts, and truck traffic, and odor?
- 5) List the public, community organizations and/or government stakeholders involved.
- 6) Provide details of community meetings, including but not limited to method of notification, attendance, location, date/time, translation services provided, childcare provided, meals provided.
- 7) In **Attachment 15** provide support letters from community members and/or leaders demonstrating that outreach was conducted (at least 3).

<sup>21</sup> <http://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

- 8) Describe any community benefits agreement with local communities that describes the intentions for developing mutually beneficial outreach and requirements for each group.

## 6.2 Localized Economic Benefits

Applicants must explain economic benefits that will be provided to the community (or communities) where the Pilot Project is located. If your project will create temporary construction and/or permanent jobs in the community, indicate how many jobs, total project work hours, job classification/trade, approximate salaries and benefits for each job classification and trade, how long these jobs will last, and how they compare to current unemployment rates. Please be consistent with project work plan and the budget.

## 7.0 Project Readiness and Implementation (Maximum Points = 15)

- 1) **Overall Readiness/Permitting.** Include information about the permitting required for the Pilot Project and whether or not the permitting has been completed. This includes any description of permits required for the Utility-owned Pipeline Infrastructure. If the permitting has not been completed, include a permitting schedule that ensures successful project completion within the timeframes specified in this solicitation.
- 2) **Site Control.** In **Attachment 16** describe the proposed Pilot Project site and provide documentation and/or descriptions of site and equipment control. This includes any site control required for the Utility-owned Pipeline Infrastructure. Site and equipment control includes, but is not limited to: leases, ownership, or access rights. Proposed point of interconnection to a natural gas pipeline must be identified along with the distance between the proposed project and proposed point of interconnection. Applicants must also demonstrate thorough safety, maintenance, and training procedures will be in place.
- 3) **California Environmental Quality Act.** Include information documenting progress towards achieving compliance under the California Environmental Quality Act (CEQA). If CEQA compliance has not been obtained for an application, then include a schedule to complete CEQA activities for the proposed project.
- 4) **Community Outreach.** Include information about planned community outreach, including outreach and discussions with fire marshals and educational efforts to explain the proposed project to the public.
- 5) **Previous awards.** Include any received previous grants or awards from CEC, CDFR, and ARB, and describe how the requirements of the agreement(s) have been fulfilled/are being fulfilled. Describe previous grants or awards for the project from any source.
- 6) **Safety Action Plan.** Delineate potential unsafe conditions and note preliminary processes and procedures to respond to each.

## CHAPTER 2 Appendices: Attachment Checklist

**Include:** Applicant shall respond to all requests for attachments in adequate detail as shown below, which correspond with the sections and will be inputs for the Selection Criteria.

**Format for Submittal:** Times New Roman font size 11, and single-spaced. Label all supplemental attachments according to their numbering below. If providing additional supporting documentation, add rows to the table and commence numbering and make it clear which Application section it applies to.

	Attach-ment	Section	Description
<input type="checkbox"/>	1	2.1.1c	As Attachment 1, include a schematic diagram showing total solids flows into and lost from the manure treatment system.
<input type="checkbox"/>	2	2.1.4	Provide a map (as included in your Project Scoping and Cost Estimation Request) that provides a project overview including: <ol style="list-style-type: none"> <li>1. The dairies where the developer has an agreement for the feedstock</li> <li>2. The dairies where the developer does not have an agreement for the feedstock but could be added at a future time</li> <li>3. Location of the biogas collection lines (along with diameter size) from each dairy to the central biogas upgrading facility</li> <li>4. Location of the central biogas upgrading facility</li> <li>5. Location of the utility point of receipt</li> <li>6. Location of the utility pipeline extension</li> <li>7. Identify publi right-of-way and private right-of-way for each component</li> <li>8. The location of the dairy digesters: existing, under development, and planned</li> </ol>
<input type="checkbox"/>	3	2.2.1c	Provide project design documents, including schematics, figures, graphics and plans, must be submitted as part of the Application. Project designs must be approved by a licensed professional engineer. Details such as digester volume, solids and hydraulic retention times and mass balance through the digester must be included. Mass balance must be illustrated in an annotated diagram with the following components clearly indicated: <ol style="list-style-type: none"> <li>1. Manure input rate (mass or gallons with estimated total solids)</li> <li>2. Digestate outflow rate (mass or volume with estimated total solids)</li> <li>3. Expected bio-gas flow with methane content estimate</li> </ol>
<input type="checkbox"/>	4	2.2.2f	Provide a diagram showing the expected pressure at various points in the biogas collection lines. Provide the type(s) of materials used to create the biogas collection lines.
<input type="checkbox"/>	5	2.2.3c	Provide process flow diagrams for the central biogas conditioning and upgrading facility, include expected pressure of the biogas entering the central biogas conditioning and upgrading facility. Describe the design parameters for the biogas upgrading facility: <ol style="list-style-type: none"> <li>1. Flow capacity</li> <li>2. Gas composition of feed gas</li> <li>3. Gas composition of product gas</li> <li>4. Heat and Material Balance</li> <li>5. Preliminary calculations</li> <li>6. Equipment data sheets</li> <li>7. Utility requirements</li> <li>8. Chemicals used (provide Safety Data Sheets)</li> </ol>
<input type="checkbox"/>	6	2.5.2	If a Pilot Project is being submitted by a project developer, a contractual agreement documenting project support from the dairy producer(s) must be included. Letters of commitment from team members demonstrating understanding of their participation and specific role(s) in the Pilot Project must also be included.

<input type="checkbox"/>	7	3.1.2	Provide balance sheet and cash flow statements for the past three (3) year for Applicant's firm and any other partners that have a substantial stake in the Pilot Projects, if available. Documents must be audited and certified by a Certified Public Accountant (CPA). If audited financial statements are not available by submission date, then financial statements certified by a CPA are acceptable.
<input type="checkbox"/>	8	3.1.3	Provide five-year pro forma financial statements for Applicant's firm and any other partners that have a substantial stake in Pilot Project, including projected balance sheet, income statement, cash flow statement, and debt service schedule for existing and planned long-term debt, if any. List assumptions, including but not limited to, market supply and demand conditions of the industry, market fluctuations, and monthly or quarterly fixed costs and variable costs.
<input type="checkbox"/>	9	3.1.4	Provide the Project Scoping and Cost Estimation. Applicant's estimated costs should include the following: Pipeline Infrastructure (include all Applicant and Utility owned infrastructure costs, biogas treatment facilities and collection lines and compression, point of receipt, pipeline lateral and Utility-owned compression pipeline extension, etc.), equipment (e.g., valves, meters, and protection devices), digester, conditioning facility, design, engineering, and installation costs. Within each job activity, cost should be broken down by labor, operation and maintenance, and each installed piece of equipment. At least two references to actual historical or current competitive cost data for similar work must be included to justify the cost for biogas collection line, conditioning equipment to remove hydrogen sulfide and water from the raw biogas, pipeline lateral, point of receipt, and pipeline extension. CPUC has the discretion to modify the cost estimation. An Applicant pursuing a phased approach to its project should include anticipated costs of all phases of the Pilot Project. The phased-approached cluster Pilot Project must include a signed lease and a feedstock agreement, not just a letter of interest or future addition. Include all Utility supporting documentation, reports, studies, etc. used to calculate Utility owned infrastructure costs.
<input type="checkbox"/>	10	3.1.12	Provide the Applicant's proposed schedule. The schedule should include the tasks identified in Attachment 9, the Project Scoping and Cost Estimation. CPUC has the discretion to modify the project schedule. An Applicant pursuing a phased approach to its project should include anticipated schedule of all phases of the Pilot Project. Include the permitting schedule (as described in section 7.1).
<input type="checkbox"/>	11	5.1.1	Provide supporting documents to support written explanation: Describe the Pilot Project's impact on NOx, other criteria pollutants, toxic air contaminants and hazardous air pollutants. Include all potential emission sources and how emissions would change before and after implementation of project.
<input type="checkbox"/>	12	5.3.2	Provide documents that support vehicle fuel sold to and utilized by freight transport vehicles along the State's major freight and transportation corridors (e.g., Interstate 5, State Route 99) or other locations.
<input type="checkbox"/>	13	5.3.3	Provide documents that verify any partnership with local delivery fleets (e.g. milk hauling, feed delivery) to convert diesel freight vehicles to natural gas vehicles and supply them with renewable compressed natural gas from a pilot injection project. These conversions will reduce NOx and diesel particulate matter of existing fleets.
<input type="checkbox"/>	14	5.3.4	Provide documents that verify contracts for the use of pipeline-injected renewable natural gas in electricity generation.
<input type="checkbox"/>	15	6.1.7	Provide support letters from community members and/or leaders demonstrating that outreach was conducted (at least 3).
<input type="checkbox"/>	16	7.0.2	Describe the proposed Pilot Project site and provide documentation and/or descriptions of site and equipment control. This includes any site control required for the Utility-owned Pipeline Infrastructure.
<input type="checkbox"/>	17	Specify section	[Provide description of attachment]



**CONFIDENTIALITY AGREEMENT**

This Confidentiality Agreement ("Agreement") is made and entered into effective as of **March 17, 2018** ("Effective Date"), by and between **Maas Energy Works Inc.**, located at **3711 Meadow View Drive, #100, Redding, CA 96002** ("Company"), and the **Southern California Gas Company**, a California corporation, located at **555 W. Fifth Street, Los Angeles, CA 90013-1011** ("SCG").

In consideration of the mutual covenants herein, and the disclosures to be made in connection herewith, the parties agree as follows:

1. Company is considering engaging in developing multiple **biomethane pilot projects in connection with California Senate Bill ("SB") 1383, as further delineated in Schedule A**, that would connect with SCG's gas pipeline system ("Projects") in California and wishes to discuss with SCG certain aspects of the Projects and the possible future relationship of the parties concerning the Projects (the "subject matter"). Because of the competitive nature of the Projects and the subject matter, which may be discussed by the parties concerning the Projects, the parties agree to keep all subject matter identified in writing as "Proprietary Information" confidential. "Proprietary Information" shall mean any data, information, trade secrets or "know-how" that is proprietary to a Party, and not known to the Party receiving it or the general public as of the date hereof, which is disclosed in the course of dealings between the Parties in connection with this Agreement, in oral and/or written form. For the purposes of this Agreement, the party receiving Proprietary Information from a party in connection herewith is the "Receiving Party," and the party providing Proprietary Information to the other party hereunder is the "Disclosing Party". Any information designated by a party as Proprietary Information, if in tangible form, will be marked clearly as "Proprietary Information"; or if communicated orally, it must be identified in writing as "Proprietary Information" in reasonable detail within five (5) business days after disclosure. This Agreement does not require either Party to disclose any particular "Proprietary Information," or to disclose it in any particular form or format. No representation is made that any Proprietary Information disclosed is free from error, or suitable for any use or purpose. Company understands that as a California public utility company SCG is obligated to provide service in a non-discriminatory manner and this Agreement in no way prevents, restricts or limits SCG's discussions or relationships with other companies considering **interconnection** projects other than not disclosing the Proprietary Information of Company.
2. Except as otherwise provided in this Agreement, no part of the Proprietary Information may be disclosed or delivered to third parties or used by the Receiving Party for any purpose other than for the purpose stated in Paragraph 1 above, without the prior written consent of the Disclosing Party, which may be refused. Except as authorized in writing by the Disclosing Party, the Receiving Party shall not copy, disclose, or use the Disclosing Party's Proprietary Information or any part thereof and shall return to the Disclosing Party or destroy, upon the Disclosing Party's request, all Proprietary Information provided by the Disclosing Party in tangible form, and all copies, photographs, reproductions, and all other duplications thereof, including any summaries, extracts and other information derived from the Proprietary Information, regardless of the form of media.

3. The Receiving Party shall take all reasonable measures to prevent unauthorized disclosure of the Proprietary Information and shall restrict access to the Proprietary Information to those employees, or employees of Affiliates, who have a need to know in the course of their duties. If the Receiving Party finds it necessary for the purpose set forth in Paragraph 1 above to disclose to a subcontractor or agent any Proprietary Information, such subcontractor or agent shall first agree in writing to comply with the provisions of this Agreement. For purposes of this Agreement, "Affiliate" shall mean any company or legal entity which (a) controls either directly or indirectly a Party, or (b) which is controlled directly or indirectly by such party, or (c) is directly or indirectly controlled by a company or entity which directly or indirectly controls such party. Control means the right to exercise fifty percent (50%) or more of the voting rights in the appointment of the directors or similar representatives of such company or entity.
4. Notwithstanding any of the other provisions herein, SCG will not disclose any Proprietary Information disclosed pursuant to this Agreement to any of its Affiliates not regulated by the CPUC without the prior written consent of Company.
5. All Proprietary Information disclosed hereunder shall be and remain the exclusive property of the Disclosing Party. This Agreement shall not be construed to grant to the Receiving Party any license or other rights to the Proprietary Information except as specifically noted herein.
6. The obligations set forth in this Agreement shall not apply to information that the Receiving Party can establish is:
  - a. Information, which is in the public domain as of the date of this Agreement or which later, enters the public domain from a source other than the Receiving Party.
  - b. Information which the Receiving Party has written evidence of knowing prior to the execution of this Agreement.
  - c. Information which the Receiving Party receives from a bona fide third party source not under any obligation of confidentiality.
  - d. Information approved for release by the Disclosing Party in writing.
  - e. Information, which is required by law (e.g., court order or governmental agency subpoena) to be disclosed. If either Party or any of its Representatives is required by applicable law, regulation or legal process (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Proprietary Information provided to it under this Agreement, such Party or its Representative will promptly notify the other Party of such requirement so that it may seek an appropriate protective order or elect, in its sole discretion, to grant a waiver of compliance with the provisions of this Agreement. If, in the absence of a protective order or the receipt of a waiver hereunder within a reasonable time after such notice, a Party or any of its Representatives is, in the reasonable opinion of such Party, compelled to disclose any Proprietary Information, then the disclosing Party may disclose only such of the Proprietary Information to the person

compelling disclosure as is required by law. The Party being forced to disclose any Proprietary Information will provide all commercially reasonable assistance to enable the other Party to obtain a protective order or other reliable assurance that the Proprietary Information will be accorded confidential treatment.

7. Notwithstanding anything to the contrary set forth herein:
  - a. Either Party may disclose to any governmental entity (including a court) or its representatives or other persons as required by such entity, the tax treatment and tax structure of any transaction arising at any time in connection with this Agreement or related hereto, as well as all materials provided to either Party of any kind (including opinions or other tax analyses) relating to the tax treatment or tax structure of such transaction.
  - b. SCG may provide Company's Proprietary Information to the California Public Utilities Commission ("CPUC") pursuant to Public Utilities Code Section 583, regardless whether the Company Confidential Information is formally requested and without notice to Company.
  - c. Company may provide SCG's Proprietary Information to the CPUC solely in connection with Company's submission to the CPUC of Company's application in response to the 2018 Solicitation for SB 1383 Dairy Pilot Projects, *provided* that, concurrently with such submission, Company shall satisfy the CPUC's administrative processes for submission of confidential information, as set forth in CPUC General Order No. 66-D.
8. If the Receiving Party breaches or defaults in the performance of any of its covenants contained herein or violates any of the restrictions set forth herein, the Disclosing Party shall be entitled to all remedies available at law or in equity. The parties acknowledge that the Proprietary Information is valuable and unique, and that damages would be an inadequate remedy for breach of this Agreement and the obligations of each party and its Representatives are specifically enforceable. Accordingly, the parties agree that in the event of a breach or threatened breach of this Agreement by either party, the disclosing party shall be entitled to seek an injunction preventing such breach, without the necessity of proving damages or posting any bond. Any such relief shall be in addition to, and not in lieu of, money damages or any other available legal or equitable remedy.
9. If either party employs attorneys (in-house and/or outside counsel) to enforce any rights arising out of or related to this Agreement, the prevailing party in such matter (as determined by the court) shall be entitled to receive its reasonable attorneys' fees, costs and disbursements.
10. This Agreement shall begin on the Effective Date and continue for period of two (2) years from the date of the last disclosure of Proprietary Information in connection herewith.
11. Neither this Agreement, nor the disclosure of Proprietary Information under this Agreement, nor the ongoing discussions and correspondence by the parties regarding the subject matter of this Agreement, shall constitute or imply any

- 11. Neither this Agreement, nor the disclosure of Proprietary Information under this Agreement, nor the ongoing discussions and correspondence by the parties regarding the subject matter of this Agreement, shall constitute or imply any promise or intention to make any purchase or use of the services, products, facilities, real property or other assets of either party, or any commitment by either party with respect to any other present or future arrangement. If, in the future, the parties elect to enter into binding commitments relating to any of the matters stated herein, they must be stated in a separate executed written contract by the parties.
- 12. This Agreement shall be governed by and construed under the laws of the California, without reference to any principles on conflicts of laws. Any dispute between the parties arising under this Agreement shall be litigated solely in the state or federal courts located in the County of Los Angeles, State of California.
- 13. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior discussions, communications and agreements, both oral and written. This Agreement shall not be amended or modified except by an agreement or amendment in writing signed by both parties, and shall not be modified by course of performance, course of dealing, or usage of trade. No waiver of any right under this Agreement shall be deemed a subsequent waiver of the same right or any other right. To be effective, any waiver of the provisions hereof shall be in writing.

The authorized signatories of the parties have executed this Confidentiality Agreement as of the Effective Date.

**Maas Energy Works Inc.**

**SOUTHERN CALIFORNIA GAS COMPANY**

By: Hudson Davis  
Name: Hudson Davis  
Title: Project Manager  
Date: 4/23/18

By: LA  
Name: Lisa Alexander  
Title: VP - Cust Sol, Comm & Env Stgy  
Date: 4/30/18

**Schedule A**

Project Name	Cluster/Location	Proposed Interconnection Location (Dairy name)	Proposed Interconnection Location (GPS/Address)
Lakeside Pipeline LLC	Lakeside Cluster	Lakeside Cluster	[REDACTED]