

REVISED

STATE OF CALIFORNIA

GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 14, 2021

Advice Letter 5777-G and 5777-G-A

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

SUBJECT: Modification of Rule No. 45 Payment Schedule.

Dear Mr. van der Leeden:

Advice Letter 5777-G and 5777-G-A is effective as of March 12, 2021.

Sincerely,

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

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



Joseph Mock
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.3718
Fax: 213.244.4957
JMock@socalgas.com

March 19, 2021

Advice No. 5777-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplement - Modification of Rule No. 45 Payment Schedule

Purpose

Southern California Gas Company (SoCalGas) hereby submits for California Public Utilities Commission (Commission or CPUC) approval of this Advice Letter (AL) to modify a Rule No. 45, Standard Renewable Gas Interconnection, payment schedule for a non-dairy, biomethane interconnector to repay SoCalGas its interconnection costs while concurrently receiving monetary incentive payments. This modification is consistent with Rule No. 45, section I.4.c., which in pertinent part provides as follows: "At Utility's sole discretion, the Parties can agree on a mutually agreeable payment schedule subject to Utility credit requirements."

SoCalGas submits this supplemental AL, which replaces the original in its entirety, to clarify that the facility primarily, rather than solely, relies on commercial food waste as a feedstock to produce Renewable Natural Gas (RNG).

Background

Rialto Bioenergy Facility, LLC (RBF) is completing construction of a RNG production facility in Rialto, CA. The facility uses primarily commercial food waste (from hotels, restaurants, stadiums, universities, and other businesses) as a feedstock to produce RNG; and RBF is currently the only SoCalGas interconnector that primarily relies on such feedstock.¹ The RNG is then injected into SoCalGas' pipeline system. It is expected that the facility will ultimately produce approximately 2.88 MMcfd of RNG, thereby supporting the goals of Senate Bill (SB) 1383 and the CalRecycle organic

¹ While the facility can accommodate additional feedstocks, the primary available source that is available in the near-term is commercial food waste.

waste reduction targets² by reducing landfill waste and methane emissions. RBF completed its biomethane delivery requirement testing on February 14, 2021.

RBF has attested that the COVID-19 pandemic has largely shut down the commercial food sector in Los Angeles County, leaving it to run at levels as low as 25% of design capacity. Because people have been almost entirely eating at home, the feedstock from the commercial waste stream shifted to residential landfills. RBF had anticipated running at levels near capacity by this time, but the reduced feedstock reduces revenues available for meeting payroll and debt servicing obligations. The interconnector's project revenues are anticipated to gradually increase following feedstock increases subsequent to the lifting of stay-at-home orders and bans on indoor dining and entertainment venues.

Furthermore, during construction of RBF's interconnection with the SoCalGas system, unexpected substructures and permitting requirements significantly increased interconnection costs. The Interconnect Collectible System Upgrade Agreement and Rule No. 45 allow SoCalGas to recover these final costs from RBF, and the amount outstanding is, subject to final reconciliation, approximately \$1.3 million. Tariff Rule No. 45 requires interconnectors to pay SoCalGas within 60 days of the date of the Interconnector's receipt of Utility's estimate for the necessary repairs, upgrades, modifications, or replacements, which was provided on December 19, 2020. Rule No. 45 also allows SoCalGas, at its sole discretion, to work with the interconnector on a mutually agreeable payment schedule subject to SoCalGas' credit requirements. (Rule No. 45, section I.4.b.)

Tariff Rule No. 45 further requires SoCalGas to, within 60 days following successful compliance with the 30 out of 40-day biomethane delivery requirement, pay the interconnector the amount up to 50% of the eligible reconciled and undisputed portions of the interconnection costs, not to exceed \$3 million per interconnection for a non-dairy cluster Biomethane Interconnector. Pursuant to the tariff, RBF is presently entitled to receive an incentive payment of \$2.96 million. However, Rule No. 45 clarifies that payment will be provided to the Biomethane Interconnector only if all costs have been paid in full; if there are remaining costs, the incentive payment shall be treated as a credit. (Rule No. 45, section I.5.e.)

Payment Schedule Modification

Given RBF's particular and attested impacts resulting from the COVID-19 pandemic, SoCalGas has determined it is reasonable to provide the interconnector a modified

² CalRecycle estimates that "California disposed approximately 39 million tons of waste in landfills in 2018, of which approximately one third is compostable organic materials..." See CalRecycle, "Organic Materials Management and Climate Change," <https://www.calrecycle.ca.gov/climate/organics/>.

payment schedule of up to two years, as allowed by Rule No. 45, section 1.4.c. As part of this adjustment, SoCalGas will also bypass the requirement for the incentive payment to be treated as a credit and to pay the interconnector as otherwise would occur if its balance was settled. This will allow the interconnector to meet near term obligations in support of advancing California's ambitious environmental goals, while SoCalGas works with the interconnector in the long term to settle the outstanding balance. SoCalGas observes that ratepayers would be indifferent to this arrangement, as the incentive payment will simply be paid entirely to the interconnector up front rather than offsetting its outstanding balance and paid after the outstanding balance was paid. SoCalGas shareholders will be at risk for non-performance of the revised payment timeline.

Notably, this modification is limited to an interconnector facing unique circumstances, *i.e.*, its primary feedstock source of commercial food waste was affected by the COVID-19 pandemic. It also promotes California's climate goals and CalRecycle's anticipated need to double the size of California's organics materials management infrastructure.³

Protest

Anyone may protest this AL to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. In accordance with General Order (GO) 96-B, Section 7.5.1, SoCalGas requests that the protest period be shortened to a period of 13 days. The protest must be made in writing and must be received within 13 days of the date of this AL, which is April 1, 2021. 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

A copy of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). Due to the COVID-19 pandemic and the shelter at home orders, SoCalGas is currently unable to receive protests or comments to this AL via U.S. mail or fax. Please submit protests or comments to this AL via e-mail to the address shown below on the same date it is mailed or e-mailed to the Commission.

³ "To meet the goals of SB 1383, it is estimated that California will need to double the size of the current organics materials management infrastructure." See <https://www.calrecycle.ca.gov/climate/organics/>.

Attn: Ray Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-mail: ROrtiz@socalgas.com

Effective Date

SoCalGas believes that this AL is subject to Energy Division disposition and, pursuant to GO 96-B and SoCalGas' "sole discretion" authority vested in its Tariff No. Rule 45, is classified as Tier 1 (effective pending disposition). SoCalGas respectfully requests that this AL become effective on March 19, 2021, which is the date submitted.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list in R.13-02-008. Address change requests to the GO 96-B should be directed via e-mail to 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.

/s/ Joseph Mock
Joseph Mock
Director – Regulatory Affairs

Attachments

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

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

Name:
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