Sheet 1

# PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTSS BIOMETHANE COST INCENTIVE PROGRAM BALANCING ACCOUNT (BCIPBA)

#### 1. Purpose

The BCIPBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of the BCIPBA is to record the incentive costs paid to a biomethane producer that successfully interconnects and operates a biomethane project with SoCalGas' pipeline system under the monetary incentive program adopted by Commission Decision (D.) 15-06-029 and modified in D.16-12-043. Pursuant to D.19-12-009, the incentive program shall remain in effect until December 31, 2026. If there are funds remaining at December 31, 2026, the biomethane projects that have started to inject merchantable biomethane into SoCalGas'pipeline system as of the termination date of this program are eligible for an incentive payment if they otherwise meet the program criteria. The total statewide funding of \$40 million for this monetary incentive includes the cost of the study to be undertaken by the California Council on Science and Technology (CCST) as described in Public Utilities Code Section 784.1.

A successful biomethane project is defined as one that:

- Complies with the standards and protocols adopted in D.14-01-034;
- Successfully interconnects with the utility's pipeline system; and
- Remains in operation for a minimum of 30 days, with a flow of 30 out of 40 days.

The incentive is a one-time payment of 50% of the biomethane project's interconnection costs capped at \$3 million for a non-dairy cluster biomethane project or \$5 million for a dairy cluster biomethane project, which is paid following the 30-day operational period and within 60 days after the 30-day operational period expires.

Pursuant to Ordering Paragraph 5 of D.20-12-031, effective December 17, 2020, SoCalGas establishes a separate subaccount within its BCIPBA to record the Cap-and-Trade allowance proceeds transferred from the Consignment Revenues Subaccount of the Greenhouse Balancing Account (GHGBA) that is set aside for its 49.26% share of the additional \$40 million, or \$19,704,000, made available for the monetary incentive program.

The BCIPBA shall consist of two subaccounts:

- 1) Monetary Incentive Program Subaccount records incentive costs paid and corresponding revenues for statewide funding pursuant to the monetary incentive program adopted by D.05-06-029 and modified in D.16-12-043.
- 2) Cap-and-Trade Funded Monetary Incentive Program Subaccount records SoCalGas' share of incentive revenues from its Cap-and-Trade allowance proceeds (i.e., quarterly payments beginning March 1, 2022, and ending December 1, 2023) and any incentive funding payments made for eligible biomethane projects.

(TO BE INSERTED BY UTILITY) ADVICE LETTER NO. 6194-G

ISSUED BY Dan Skopec Sr Vice President Regulatory Affairs

(TO BE INSERTED BY CAL. PUC) Sep 26, 2023 SUBMITTED

**EFFECTIVE** Oct 26, 2023 RESOLUTION NO.

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# PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS BIOMETHANE COST INCENTIVE PROGRAM BALANCING ACCOUNT (BCIPBA)

Sheet 2

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## 2. Applicability

This account shall apply to all gas customers except for those specifically excluded by the Commission.

#### 3. Rates

See Disposition Section.

### 4. Accounting Procedures – Monetary Incentive Program Subaccount

SoCalGas shall maintain the BCIPBA by recording entries at the end of each month, net of FF&U, as follows:

- a) A debit entry equal to incentive payment to the biomethane producer;
- b) An entry equal to the amortization of the Monetary Incentive Program Subaccount of the BCIPBA balance as authorized by the Commission;
- c) A debit entry for the utilities' proportionate share of the cost of the study undertaken by the California Council on Science and Technology (CCST) as described in Public Utilities Code Section 784.1.; and
- d) An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

#### 5. Accounting Procedures - Cap-and-Trade Funded Monetary Incentive Program Subaccount

SoCalGas shall maintain the BCIPBA by recording entries at the end of each month, net of FF&U, as follows:

- a) A debit entry equal to incentive payment to the biomethane producer;
- b) A credit entry equal to the quarterly transfer of Cap-and-Trade allowance proceeds from the GHGBA for SoCalGas' share of the additional \$40 million set aside for the monetary incentive program;
- c) An entry equal to the transfer back of any remaining, unused Cap-and-Trade funding to the Consignment Revenue Subaccount of the GHGBA; and
- d) An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

## 6. <u>Disposition</u>

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The BCIPBA balance, excluding any balance in the Cap-and-Trade Funded Monetary Incentive Program Subaccount, will be incorporated in gas rates in connection with SoCalGas' annual regulatory account balance update filing for rates effective January 1st of the following year. The BCIPBA will be allocated to gas customers on an equal cent per therm (ECPT) basis.

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 5755
DECISION NO. 20-12-031

ISSUED BY **Dan Skopec**Vice President

Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED Jan 19, 2021
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