ATTACHMENT A

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company (U 904 G) to Establish a Biogas Conditioning & Upgrading Services Tariff	A. 12-04-024 (Filed April 25, 2012)

JOINT MOTION OF SOUTHERN CALIFORNIA GAS COMPANY, DIVISION OF RATEPAYER ADVOCATES, SOUTHERN CALIFORNIA GENERATION COALITION, AND AGRICULTURAL ENERGY CONSUMERS ASSOCIATION FOR ADOPTION OF SETTLEMENT AGREEMENT

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In accordance with Article 12 of the Commission's Rules of Practice and Procedure ("Rules"), Southern California Gas Company ("SoCalGas"), the Division of Ratepayer Advocates ("DRA"), Southern California Generation Coalition ("SCGC"), and the Agricultural Energy Consumers Association ("AECA") (collectively referred to hereafter as the "Settling Parties")[1] hereby move the Commission to adopt the Settlement Agreement ("Settlement") attached hereto in Appendix A. Additionally, Setting Parties move the Commission to admit into evidence the prepared and rebuttal testimony served on the parties and listed in Appendix B, attached hereto.[2] The Settlement, if approved, would resolve all issues among all parties in Application (A.)12-04-024 ("Biogas Conditioning Service Tariff Application") as discussed further below.

[1] As permitted by Rule 1.8(d), Counsel for Applicant has been authorized to sign this motion on behalf of each of the Settling Parties.
[2] Administrative Law Judge Mason had requested the Settling Parties only include the pages of testimony that were necessary to support the Settlement. Settling Parties, however, reviewed their testimony and concluded that, due to the testimony's relative brevity and the range of issues covered by the Settlement, all testimony was necessary to properly support the Settlement.

I.
BACKGROUND

On April 25, 2012, SoCalGas filed an Application to establish a Biogas Conditioning & Upgrading Services Tariff ("BCS Tariff") to meet the current and future needs of biogas producers seeking to upgrade their biogas for beneficial uses, including pipeline injection, onsite power generation, or compressed natural gas ("CNG") vehicle fueling stations.[3] SoCalGas proposed to design, install, own, operate, and maintain the biogas conditioning/upgrading facility on or adjacent to the tariff customer's premises in order to process raw biogas and upgrade it to the level(s) specified by the tariff service customer.[4] The contract terms, including cost and rate components, adjustments, performance requirements, technology to be utilized, and payment terms, will be agreed upon by the customer and SoCalGas prior to providing BCS Tariff.[5]

DRA protested the Application on June 1, 2012, listing 13 preliminary issues, many of which would be later identified in the Scoping Memo.[6] DRA raised a number of questions addressing the validity of the Application, primarily focused on ratepayer involvement, competitive markets, and environmental benefits of the proposed tariff service.[7] SCGC provided a response to the Application on May 31, 2013, requesting clarification as to how ratepayers would be credited for embedded costs included in general rates.[8]

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[3] Application of Southern California Gas Company to Establish a Biogas Condition and Upgrading Services Tariff, mimeo., at 1.
[4] Application of Southern California Gas Company to Establish a Biogas Condition and Upgrading Services Tariff, mimeo., at 1.
[5] Application of Southern California Gas Company to Establish a Biogas Condition and Upgrading Services Tariff, mimeo., at 1-2.
[6] *See* Protest of the Division of Ratepayer Advocates, mimeo., at 2-4.
[7] Protest of the Division of Ratepayer Advocates, mimeo., at 1-2.
[8] Southern California Generation Coalition Response to the Application of Southern California Gas Company to Establish a Biogas Condition and Upgrading Services Tariff, mimeo., at 3.

A prehearing conference was held on October 8, 2012, after SoCalGas, DRA, and SCGC presented a *Joint Prehearing Conference Statement* on September 27, 2012 detailing for the Commission the issues in need of resolution, the disputed and undisputed material facts, and a proposed schedule.[9] AECA became a party on October 8, 2012 when presiding Administrative Law Judge Mason approved its motion of party status.[10]

Judge Mason issued his Scoping Memo on December 28, 2012 which identified 11 factual and legal issues for resolution in this proceeding, as follows:[11]

- Should the Commission grant approval to SoCalGas to establish a biogas conditioning and upgrading services tariff?
- Should an unregulated affiliate subject to the Commission's adopted affiliate transaction rules be approved to establish a biogas conditioning upgrading services tariff?
- How does SoCalGas' proposed tariff affect market competition?
- Is it beneficial and useful to the public for SoCalGas to provide biogas conditioning and upgrading services to its customers?
- Are there any environmental benefits and environmental costs of the biogas conditioning and upgrading services?
- Are any of these environmental benefits unique to SoCalGas' offering?
- Will the biogas conditioning and upgrading services aid in obtaining California environmental goals, including its Renewables Portfolio Standard (RPS) goals?
- What will be the risks to ratepayers if the instant Application is granted?
- What will be the benefits to ratepayers if the instant Application is granted?
- What will be the risks to shareholders if the instant Application is granted?
- What will be the benefits to shareholders if the instant Application is granted?

These issues have been addressed or are mitigated by the parties' proposed Settlement.

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[9] *See* Joint Prehearing Conference Statement, mimeo., at 1-4.
[10] October 8, 2012 Prehearing Conference Tr. at 3 (ALJ Mason); *see also* Administrative Law Judge's Ruling Granting Agricultural Energy Consumers Association Motion for Party Status.
[11] Assigned Commissioner's and Administrative Law Judge's Scoping Memo and Ruling, mimeo., at 2-3; available at, http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=39601453.

The Scoping Memo also requested that testimony address the impact, if any, of AB 1900 and the associated Rulemaking on the Application[12] and set the schedule for the proceeding.[13]

SoCalGas served supplemental testimony on January 18, 2013 to address the additional issues raised in the Scoping Memo,[14] and to provide a more detailed response to Judge Mason's inquiry regarding the passage of AB 1900 and the potential impacts of this legislation on the instant application.[15]

DRA and SCGC served intervenor testimony on February 22, 2013. DRA focused its testimony on four overarching policy recommendations:

- The BCS Tariff should be provided through anon-utility Sempra affiliate.[16]
- SoCalGas, as a monopoly utility, should not be allowed to enter into an unregulated competitive market by offering the BCS Tariff.[17]
- The BCS Tariff should not be approved because it exposes SoCalGas ratepayers to substantial additional liability.[18]
- If the Commission allows SoCalGas to enter this market, the program should be subject to certain ratepayer protections.[19]

SCGC's testimony presented arguments concerning ratepayer risk,[20] and proposed the same ratemaking imposed in the Compression Services decision[21] be used for the provision of

[12] Assigned Commissioner's and Administrative Law Judge's Scoping Memo and Ruling, mimeo., at 3-4 referencing Rulemaking 13-02-008.
[13] Assigned Commissioner's and Administrative Law Judge's Scoping Memo and Ruling, mimeo., at 6-7.
[14] *See* Supplemental Testimony of SoCalGas (Reed); Supplemental Testimony of SoCalGas (Lucas); Supplemental Testimony of SoCalGas (Joscelyne).
[15] Supplemental Testimony of SoCalGas (Reed) at 1-3.
[16] Direct Testimony of DRA (Karle) at 7-9.
[17] Direct Testimony of DRA (Karle) at 7-12.
[18] Direct Testimony of DRA (Karle) at 22-25.
[19] Direct Testimony of DRA (Karle) at 27-29.
[20] Direct Testimony of SCGC (Yap) at 2-6.
[21] Compression Services Decision (D.12-12-037) granted SoCalGas' Application to provide, under the terms of customer specific contracts, compression services for customers which desired higher than normal gas pressure for uses such as NGV refueling, combined heat and power, and electric power generation from peaking plants and other forms of distributed generation requiring SoCalGas to recover the costs of providing such service only from the CST customer.

Biogas Conditioning Services through the BCS Tariff if approved by the Commission.[22] SCGC also suggests the Commission require SoCalGas to pay a one-time fee equal to 5% of the cost of each BCS project to compensate ratepayers for the use of customer specific databases in marketing BCS.[23]

SoCalGas served rebuttal testimony on March 8, 2013, This testimony addressed issues raised by the intervenors, and:

- Discussed shareholder and ratepayer risk.[24]
- Provided support for the service being offered through the utility as opposed to an unregulated Sempra affiliate.[25]
- Offered additional support for why SoCalGas, as a monopoly utility, can provide BCS Tariff in a manner that is not unfairly competitive.[26]
- Presented evidence that the proposed tariff services are within SoCalGas' core competency.[27]
- Provided additional support for why the resulting environmental benefits support state policy.[28]
- Presented evidence that any additional liability brought about by the BCS Tariff can be managed by SoCalGas' existing tariffs.[29]

In early March 2013, SoCalGas, DRA, and SCGC entered into settlement discussions. A settlement in principle was reached on March 20, 2013. Counsel for DRA, SCGC, and SoCalGas requested, and on March 21, 2013 Judge Mason granted, a request for continuance of the hearings conditioned on a Motion to Approve the Settlement, along with the Settlement Agreement, being filed on or before April 19, 2013. Pursuant to Commission Rule 12.1(b), a noticed Settlement Conference was held on April 5, 2013. On April 19, 2013, the Settling

[22] Direct Testimony of SCGC (Yap) at 6-7.
[23] Direct Testimony of SCGC (Yap) at 7-8.
[24] Rebuttal Testimony of SoCalGas (Joscelyne) at 1-6.
[25] Rebuttal Testimony of SoCalGas (Reed) at 12-13.
[26] Rebuttal Testimony of SoCalGas (Reed) at 7-9.
[27] Rebuttal Testimony of SoCalGas (Lucas) at 11-12.
[28] Rebuttal Testimony of SoCalGas (Reed) at 6-7
[29] Rebuttal Testimony of SoCalGas (Reed) at 11-12; Rebuttal Testimony of SoCalGas (Lucas) at12-14

Parties contacted Administrative Law Judge Mason to request a two-week continuance in filing the instant Settlement. Administrative Law Judge Mason granted the two-week continuance on April 19, 2013.

II.
THE SETTLEMENT IS REASONABLE IN LIGHT OF THE WHOLE RECORD, IS CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST

The Commission has consistently recognized the "strong public policy favoring the settlement of disputes to avoid costly and protracted litigation."[30] This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.[31] Moreover, in assessing settlements, the Commission evaluates the *entire* agreement, and not just its individual parts:

> In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.[32]

The Commission has especially favored settlement when the proposed settlement meets the criteria for an all-party settlement and has stated its strong inclination to find "reasonable a settlement that has the unanimous support of all active parties in the proceeding."[33] To determine if a settlement meets the criteria for an all-party settlement, the Commission asks whether: (1) the settlement commands the unanimous sponsorship of all active parties to the proceeding; (2) the sponsoring parties are fairly representative of the affected interests; (3) no term of the settlement contravenes statutory provisions or prior

[30] D.88-12-083, mimeo., at 54. See also D.11-05-018, mimeo., at 16.
[31] D.92-12-019, mimeo., at 7-8.
[32] D.10-04-033, mimeo, at 9.
[33] D.07-03-044, mimeo., at 13, quoting D.02-01-041, mimeo., at 13.

Commission decisions; and (4) the settlement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.[34] These preconditions are satisfied here.

The Settlement commands the unanimous sponsorship of all active parties. The active parties, DRA, SCGC, AECA and SoCalGas, have all signed the Settlement Agreement.

Next, the Settling Parties fairly represent the affected interests. SoCalGas represents the utility offering the service. DRA represent the interests of utility consumers and ratepayers and is well-situated to assess the myriad policy ramifications of the settlement on those interests. SCGC represents the interests of municipal electric generators in SoCalGas' service territory. AECA represents the interests of agricultural energy consumers in the state.

As far as the parties are aware, there is no term of the Settlement that contravenes any statutory provision or prior Commission decision.

Finally, the Settlement establishes a mechanism that provides the Commission with sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests. In particular, the terms of the Settlement are simple and require no complex ratemaking. Thus, the Settlement provides all information needed to execute its terms and sets a blueprint for implementation.

The Commission's Rule 12.1(d) requires a finding that "the settlement is reasonable in light of the whole record, is consistent with law, and in the public interest." As discussed below, the Settlement meets these criteria.

[34] D.92-12-019, mimeo., at 7.

A. The Settlement Is Reasonable In Light Of The Record

The SoCalGas Application and supporting testimony, the testimony sponsored by the non-utility parties, and the utility's rebuttal testimony, together with the Settlement and this motion, contain the information necessary for the Commission to find the Settlement Agreement reasonable in light of the record. Prior to filing the instant motion, the Settling Parties devoted substantial time and effort to working collaboratively to identify and achieve a better common understanding of the range of issues in dispute, the various options for narrowing the number of disputed issues, and opportunities to develop compromise positions that would permit resolution of the disputed issues. The Settlement Agreement is a product of those efforts, and the success of those efforts is largely attributable to the quality of the information and analysis set forth in the prepared testimony submitted to date by the various parties on the issues covered by the Settlement. As described more fully in the summary of the Settlement that follows, the specific outcomes on the issues covered by the Settlement are within the range of positions and outcomes defined by the prepared testimony.

The Settlement represents agreement among all parties that participated in this proceeding. In settlement negotiations, each party adhered to their individual litigation position as the starting point for discussion of SoCalGas' application. Through the negotiation process, however, the Settling Parties were able to identify preferred outcomes that, if adopted, would represent an acceptable resolution for each party involved in the settlement discussions. Each provision of the Settlement is dependent on the other provisions of the Settlement; thus modification of any one part of the Settlement would harm the balancing of interests and compromises achieved in the Settlement. The various provisions reflect specific compromises between litigation positions and differing interests; the Settling

Parties believe the provisions of the Settlement are reasonable and supported by the record. Accordingly, the Settlement should be considered and approved as a whole by the Commission as reasonable in light of the entire record, with no modification.

B. The Settlement Is Consistent With Law

The Settling Parties are represented by experienced counsel, and believe that the terms of the Settlement comply with all applicable statutes and prior Commission decisions, and reasonable interpretations thereof. In agreeing to the terms of the Settlement, the Settling Parties considered relevant statutes and Commission decisions and believe that the Settlement is fully consistent with those statutes and prior Commission decisions.

C. The Settlement Is In The Public Interest

The Commission has determined that a settlement that "commands broad support among participants fairly reflective of the affected interests" and "does not contain terms which contravene statutory provisions or prior Commission decisions" meets the "public interest" criterion.[35] Longstanding Commission policy favors settlements; especially when the Settlement has the support of all-parties. Here, all parties have joined this motion and have signed the attached Settlement Agreement indicating that they believe it represents a reasonable compromise of their respective positions.

The Settlement, if adopted by the Commission, avoids the cost of further litigation, and frees up Commission resources for other proceedings. The Settlement frees up the time and resources of other parties as well, so that they may focus on the remaining issues in other Commission proceedings. The Settlement therefore promotes the public interest as required by Rule 12.1(d).

[35] D.10-06-015, mimeo., at 11-12, *citing* D.92-12-019, mimeo., at 7.

D. The Settlement Should Be Adopted Without Modification

Though each section is discussed separately in the summary below, the Settlement is presented as a whole, and Settling Parties request that it be reviewed and adopted as a whole. Each provision of the Settlement is dependent on the other provisions of the Settlement; thus modification of any one part of the Settlement would harm the balancing of interests and compromises achieved in the Settlement. The various provisions reflect specific compromises between litigation positions and differing interests; in some instances the proposed outcome reflects a party's concession on one issue in consideration of a benefit provided on a different issue. As described further in the following sections, the proposed outcome on each issue is reasonable in light of the entire record. Accordingly, the Commission should consider and approve the Settlement as a whole, with no modification.

E. Summary of the Proposed Settlement

Settling Parties seek Commission approval of the terms set forth in the attached Settlement Agreement, as summarized below.

1. The Settlement Addresses Competitive Market Issues and Avoidance of Unfair Competition

Integral to arriving at the proposed Settlement was reaching a compromise on the manner in which the BCS Tariff could be offered so as to minimize unfair competition with non-utility entities.[36] As such, the Settlement provides guidelines and rules to minimize unfair competition in the provision of the BCS Tariff: (i) by implementing mitigation measures to minimize any unfair competitive advantage in the provision of BCS Tariff; and (ii) by employing Commission oversight and direct adjustments the Commission may deem

[36] DRA raised concerns in its testimony regarding the propriety of SoCalGas entering an unregulated market. *See* Direct Testimony of DRA (Karle) at 7-12.

necessary to prevent or counteract unfair competition in the promotion and provision of service under the BCS Tariff.

i. Full-Cost Ratemaking

Initially SoCalGas presented testimony proposing traditional ratemaking for the BCS Tariff.[37] Costs were to be tracked to ensure that all costs associated with the proposed BCS Tariff were identified, recorded, and tracked on a fully-loaded basis.[38] In so doing, BCS Tariff customers would be properly charged.[39]

DRA's testimony questioned the ability of SoCalGas' cost tracking and reimbursement proposal to protect an unregulated market and argued that granting the Application could result in ratepayers being a backstop protection should all costs not be recovered from the BCS Tariff customers.[40] DRA also was opposed to the original proposal because BCS tariff assets would be included in rate-base. SCGC argued that the BCS Tariff should be provided with the same ratemaking imposed in D.12-12-037.[41]

In rebuttal, SoCalGas contended that cost components could be identified and tracked to promote proper cost allocation.[42]

As a compromise of the parties' litigation positions, the Settling Parties agree that no cost of the BCS Tariff will be borne by ratepayers. As a result of this portion of the Settlement, DRA's concerns that ratepayers would be responsible for monetary shortfalls should not all costs be recovered from the BCS Tariff customers and that BCS tariff assets would be included in rate-base are alleviated.

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[37] Supplemental Testimony of SoCalGas (Joscelyne) at 1.
[38] Supplemental Testimony of SoCalGas (Joscelyne) at 1.
[39] Supplemental Testimony of SoCalGas (Joscelyne) at 1.
[40] Direct Testimony of DRA (Karle) at 8-9.
[41] Direct Testimony of SCGC (Yap) at 6-7.
[42] Rebuttal Testimony of SoCalGas (Joscelyne) at 4.

The parties also agreed that the tariff rate charged to the BCS customers be fully compensatory and cost based, but not otherwise restricted other than by the fully-compensatory pricing provisions described herein. Settling Parties agree that the tariff rate be established through negotiation between the BCS Tariff customer and SoCalGas based on a cost-of-service formulation, but employing full overhead loaders and indirect charges using a capital charge rate, no lower than the utility authorized weighted average cost of capital (although the negotiated capital charge rate may by higher than the utility authorized cost of capital) to ensure that the price charged for provision of the BCS Tariff be fully compensatory and, therefore, not unfairly competitive.

ii. BCS Tariff Promotion and Reporting Requirements

DRA voiced concerns regarding SoCalGas alleged unfair competitive advantages in implementing the BCS Tariff.[43]

To mitigate such concerns, the Settling Parties agree that the BCS Tariff will be promoted on a competitively neutral basis and SoCalGas will provide periodic reporting to provide the Commission with the information needed to provide ongoing oversight and direct adjustments the Commission may deem necessary to avoid unfair competition. Therefore, Settling Parties agreed to implement procedural processes and requirements consistent with D.12-12-037 related to SoCalGas' website,[44] the use of competitively neutral scripts,[45] bill

[43] Direct Testimony of DRA (Karle) at 9-11.
[44] D.12-12-037, mimeo., at 60, Finding of Fact 12 ("It is reasonable to require SoCalGas to include on its website information pertaining to the offering of compression services by other companies to ensure that SoCalGas's status as a utility does not provide it with an unfair competitive advantage.")
[45] D.12-12-037, mimeo., at 61, Finding of Fact 13 ("It is reasonable to require SoCalGas to use competitively neutral scripts in answering inquiries concerning the CST. Neutral scripts ensure that SoCalGas's status as a utility does not provide it with an unfair competitive advantage.")

inserts,[46] and customer certifications.[47] More specifically, to better ensure that the BCS Tariff does not unfairly compete with non-utility entities and is promoted on a competitively neutral basis, the Settling Parties agreed that:

- SoCalGas provide information on its website concerning the Biogas Conditioning Service Tariff in a competitively neutral way.
    - The information for the website (Attachment 1) shall be included as part of SoCalGas' Tier 1 advice letter seeking final approval of the BCS Tariff and shall be reviewed by the Commission to ensure neutrality.
    - Web site and other promotional materials (Attachment 2) will state that the tariff is fully optional, not tied to other utility services and that other providers may provide the same or similar services.
- As a condition of negotiating service with SoCalGas, BCS Tariff customers should be required to certify that they are aware that the service is optional, not tied to other services and may be provided by others.
- SoCalGas should be required to use competitively neutral scripts (Attachment 2) in answering inquiries concerning the Biogas Conditioning Services Tariff.
    - These scripts shall be included as part of the Tier 1 advice letter seeking final approval of the BCS Tariff and shall be reviewed by the Commission to ensure their neutrality.

[46] D.12-12-037, mimeo, at 60, Finding of Fact 11 ("It is reasonable to prohibit SoCalGas from using its access to bill inserts to promote the CST because such access would give SoCalGas an unfair competitive advantage in the provision of this service.")

[47] D.12-12-037, mimeo., at 34 ("This report shall include…a customer certification that the CST is an optional tariff, that taking service under the CST provides no preference in the provision of any service from SoCalGas, that they are aware that the same or similar services may be provided by others and that they have received a list of such providers.")

- SoCalGas should not be allowed to promote the BCS Tariff through the use of bill inserts or the customers' bill for natural gas service.

Additionally, in order to facilitate ongoing oversight by the Commission, Settling Parties also agree that SoCalGas be required to serve on the service list of this proceeding, and provide to the Commission's Executive Director, a semiannual report pertaining to its provision of services needed to prepare for interconnection by BCS Tariff and non-BCS Tariff customers.[48] The first semi-annual report shall cover the first six months following the Commission's resolution authorizing the BCS Tariff and be due by the end of the ninth month following authorization. Subsequent reports will be due every six months. Each report shall include the information identified in Attachment 3, and shall also include information on the total volume of biomethane gas injected.

iii. Non-Discriminatory Service Provision

SoCalGas presented testimony that the BCS Tariff would be offered on a nondiscriminatory basis to enable SoCalGas' biogas producing customers with the means to provide environmental benefits to the state of California.[49] No intervener questioned the provision of the service on a non-discriminatory basis, but DRA did raise concern about SoCalGas engaging in activities as the biogas processor, interconnector, and distributor.[50] In rebuttal, SoCalGas argued that separation of duties and information protection between staffs working on the BCS Tariff, gas quality, and interconnection allow for non-discriminatory and equal treatment of customers.[51]

[48] Commercially sensitive or confidential material will only be provided to the Commission.
[49] Direct Testimony of SoCalGas (Lucas) at 16.
[50] Direct Testimony of DRA (Karle) at 23-25.
[51] Rebuttal Testimony of SoCalGas (Reed) at 11-12.

The Settling Parties agree that avoidance of unfair competition requires that there be no tying of the BCS Tariff to any other services provided by SoCalGas. Settling Parties acknowledge that procedures for ensuring the non-discriminatory application of gas quality standards as relating to SoCalGas Rule 30 and interconnection under Rule 39 are already in place, but periodic reporting and BCS customer certifications should be used to validate non-discriminatory provision of tariff services on an ongoing basis. Thus, Settling Parties agree that existing procedures for non-discriminatory enforcement of gas quality standards and procedures for establishing interconnection continue to be applied equally to BCS and non-BCS projects and that the Commission require periodic reporting and BCS customer certifications to validate non-discriminatory provision of tariff services.

2. The Settlement Protects Ratepayer Interests

i. Ratepayer Benefits

In its Application, SoCalGas presented testimony which contended that the BCS Tariff would provide ratepayers with environmental, greenhouse gas reduction, and increased alternative fuel source benefits.[52] DRA questioned whether these were unique benefits or benefits that would accrue regardless of who engaged in the biogas conditioning and upgrading.[53] SoCalGas responded that the BCS Tariff would create an increase in the overall capital investment in biogas infrastructure because it would be a new and transparent offering, which will create more robust competition[54] and accelerate biomethane adoption and infrastructure development.[55]

[52] Direct Testimony of SoCalGas (Reed) at 4.
[53] Direct Testimony of DRA (Karle) at 7-9, 14-17.
[54] Rebuttal Testimony of SoCalGas (Reed) at 12-13.
[55] Rebuttal Testimony of SoCalGas (Reed) at 7.

The Settling Parties agree that the proposed BCS Tariff has the potential to advance state policy goals and create environmental benefits.

ii. Ratepayer Risks

In addition to questioning the source of the benefits of biogas conditioning and upgrading, DRA argued that there were significant monetary risks involved with provision of the BCS Tariff and questioned the propriety of having ratepayers put at risk for failed projects.[56] DRA also was opposed to the original proposal because BCS tariff assets would be included in rate-base. Similarly, SCGC argued that ratepayers would be exposed to significant risk[57] and the BCS Tariff should be subject to ratepayer protections similar to the protections found in D.12-12-037.[58]

SoCalGas acknowledged that there were unlikely scenarios where cost recovery could be sought from ratepayers.[59]

Settling Parties agree that SoCalGas shareholders should bear all risks associated with providing BCS Tariff, and non-participating ratepayers should bear no costs or risks from the provision of this service. Settling Parties agree that costs and revenues associated with providing the BCS Tariff are excluded from base rates and that no future proceeding could include any request for any resources for the promotion or delivery of the BCS Tariff. To implement these points, Settling Parties agree that BCS Tariff costs be excluded from future rate cases and that costs associated with the provision of the BCS Tariff are recovered only from BCS Tariff customers. Further, Settling Parties propose that BCS project rates be established through special contracts with BCS customers and tracking and balancing

[56] Direct Testimony of DRA (Karle) at 21.
[57] Direct Testimony of SCGC (Yap) at 2.
[58] Direct Testimony of SCGC (Yap) at 6-7.
[59] Rebuttal Testimony of SoCalGas (Joscelyne) at 2-3.

accounts be used to ensure that SoCalGas' other, non-participating ratepayers bear none of these costs and that such ratepayers are reimbursed on an annual basis for any resources funded through general rates that are used in promotion or delivery of the BCS Tariff. Any existing and future general rate case approved resources used to benefit the BCS Tariff should be tracked and reimbursed to non-participating SoCalGas ratepayers. Settling Parties also agree that that no BCS Tariff payments, beyond reimbursements for the fully loaded costs of embedded resources used in the promotion or delivery of the BCS Tariff, will be provided to ratepayers.

iii. Tracking and Balancing Accounts

SoCalGas testimony proposed utilizing balancing accounts to track costs and reimburse ratepayers for costs incurred in the provision of the BCS Tariff.[60] DRA questioned the effectiveness of the accounts and of SoCalGas in accurately tracking all costs associated with the BCS Tariff.[61] SoCalGas explained how costs would be tracked and how employees would be trained to support the accurate recording of costs and reimbursement of ratepayers.[62]

Consistent with D.12-12-037,[63] Settling Parties agree that SoCalGas will establish balancing and tracking accounts to track the BCS Tariff costs and ensure that costs for any ratepayer-funded resources used in promotion or delivery of biogas conditioning services are fully reimbursed to ratepayers on an annual basis. Additionally, Settling Parties propose that those BCS Tariff costs that are not recovered from BCS Tariff customers be borne by SoCalGas shareholders.

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[60] Direct Testimony of SoCalGas (Joscelyne) at 8-10.
[61] Direct Testimony of DRA (Karle) at 10.
[62] Rebuttal Testimony of SoCalGas (Joscelyne) at 4-5.
[63] *See* D.12-12-037, mimeo., at 62, Finding of Fact 18 ("It is reasonable for SoCalGas to establish balancing accounts and tracking accounts to ensure that ratepayers not participating in the CST tariff bear no risk or costs that arise from the provision of the CST.")

3. Rule 30 Responsibilities[64]

SoCalGas' testimony outlined how SoCalGas would, for BCS Tariff customers who request SoCalGas condition/upgrade their biogas to pipeline quality biomethane, design the biogas conditioning/upgrading facility to meet the gas delivery specifications as required in the then-applicable SoCalGas Tariff Rule 30.[65] SoCalGas' testimony, however, proposed structuring the BCS Tariff agreements so that SoCalGas would not own the biogas entering a BCS Tariff facility or the processed biomethane leaving the biogas conditioning/upgrading facility.[66] Rather, the BCS Tariff customer (or another party designated by the BCS Tariff customer) would be considered the customer under SoCalGas' Rule 30 and is the liable party (per Section L.2) to meet Rule 30 pipeline delivery specifications.[67]

DRA's testimony highlighting the added risk associated with conditioning biogas and interconnecting with the utility's pipeline system, such as liability for cleaning up the damage done by any contaminants entering the gas stream or a lawsuit by the tariff customer for damages due to an interruption of their revenue stream and to the community for damages should contaminants be released.[68]

In rebuttal, SoCalGas argued that such events were unlikely and would be offset by

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[64] This section of the motion applies to the current Rule 30, but would also apply to any changes to that rule or to any new rule that covers the same subject matter.
[65] Direct Testimony of SoCalGas (Lucas) at 3-4.
[66] Direct Testimony of SoCalGas (Lucas), at 3.
[67] *See* SoCalGas Rule 30, Section L.2 ("The customer shall indemnify, defend and save harmless the Utility, its officers, agents, and employees from and against any and all loss, costs (including reasonable attorneys' fees), damage, injury, liability, and claims for injury or death of persons (including any employee of the customer or the Utility), or for loss or damage to property (including the property of the customer or the Utility), which occurs or is based upon an act or acts which occur while the gas is deemed to be in the customer's control and possession or which results directly or indirectly from the customer's performance of its obligations arising pursuant to the provisions of its service agreement and the Utility's applicable tariff schedules, or occurs based on the customer-owned gas not meeting the specifications of Section I of this rule.")
[68] Direct Testimony of DRA (Karle) at 23-25.

BCS Tariff customer payments and pollution liability insurance.[69]

Settling Parties agree that, for customers wishing to interconnect to the utility pipeline system, SoCalGas must: (i) condition/upgrade biogas consistent with the then-applicable gas quality tariff rules[70]; (ii) structure the service agreement so SoCalGas will not own the biogas entering a BCS Tariff facility or the processed biomethane leaving the biogas conditioning/upgrading facility; and (iii) structure the service agreement so SoCalGas will not be the "customer" under SoCalGas' Rule 30. In order to ensure the BCS Tariff customer is aware of the customer's responsibilities identified in SoCalGas' tariff rules, Settling Parties agree that SoCalGas be required to clearly identify in the BCS Tariff Agreement that the owner of the renewable natural gas is liable for any damage to pipeline integrity and safety or human health resulting from pipeline injection of improperly treated gas. Additionally, Settling Parties agree that SoCalGas will be precluded from seeking cost recovery from ratepayers through rates for any liability damage costs associated with damage to pipeline integrity, safety, environmental damage or human health resulting from pipeline injection of improperly treated gas associated with the BCS Tariff. Finally, Settling Parties agree that this Settlement does not address biogas standards and thus does not preclude any party from arguing its position relative to biogas standards or the utility's role as the gas system operator in any other proceeding before the Commission.

4. Effective Date of the Settlement

The Effective Date of this Settlement is the date upon which the Commission's approval of the Settlement becomes final.

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[69] Rebuttal Testimony of SoCalGas (Reed) at 11.

[70] Upon Commission adoption of standards and requirements relative to health, safety and facility integrity for biomethane injected into common carrier pipelines in the biogas OIR (R.13-02-008), SoCalGas will condition access to those pipelines on BCS customers meeting the adopted standards and requirements.

III.
CONCLUSION

As shown herein, the Settlement is reasonable in light of the whole record, is consistent with law, and promotes the public interest. The Commission therefore should (i) approve the Settlement; and (ii) admit into evidence the prepared and rebuttal testimony served on the parties and listed in Appendix B.

Dated this 3rd day of May, 2013.

Respectfully submitted,

By: /s/ Steven D. Patrick
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APPENDIX A

SETTLEMENT AGREEMENT AMONG SOUTHERN CALIFORNIA GAS COMPANY (U 904 G), THE DIVISION OF RATEPAYER ADVOCATES, SOUTHERN CALIFORNIA GENERATION COALITION, AND THE AGRICULTURAL ENERGY CONSUMERS ASSOCIATION

Pursuant to Article 12 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), the Division of Ratepayer Advocates ("DRA), the Southern California Generation Coalition ("SCGC"), the Agricultural Energy Consumers Association ("AECA") and Southern California Gas Company ("SoCalGas") (collectively, the "Settling Parties") agree to the following terms and conditions as a complete and final resolution of all issues in California Public Utilities Commission Docket No. Application (A.) 12-04-024 (the "Settlement Agreement"). This Settlement Agreement only has force or effect if the Commission approves it pursuant to the Commission's Rules.

I.
BACKGROUND

On April 25, 2012 SoCalGas filed an Application to establish a Biogas Conditioning & Upgrading Services Tariff ("BCS Tariff") to meet the current and future needs of biogas producers seeking to upgrade their biogas for beneficial uses, including pipeline injection, onsite power generation, or compressed natural gas ("CNG") vehicle fueling stations.

DRA protested the Application on June 1, 2012, listing 13 preliminary issues, many of which would be later identified in the Scoping Memo. SCGC also provided a response to the Application on May 31, 2012, requesting clarification as to how ratepayers would be credited for embedded costs included in general rates.

A prehearing conference was held on October 8, 2012, after SoCalGas, DRA, and SCGC presented a *Joint Pre-Hearing Conference Statement* on September 27, 2012 detailing for the

Commission the issues in need of resolution, the disputed and undisputed material facts, and a proposed schedule. AECA became a party on October 8, 2012 when presiding Administrative Law Judge Mason approved its motion for party status.

Judge Mason issued his Scoping Memo on December 28, 2012 which identified factual and legal issues for resolution in this proceeding and set the schedule for the proceeding.

SoCalGas served supplemental testimony on January 18, 2013. DRA and SCGC served Intervenor testimony on February 22, 2013. SoCalGas served rebuttal testimony on March 8, 2013.

In early March 2013, SoCalGas, DRA, and SCGC entered into settlement discussions. A settlement in principle was reached on March 20, 2013. Counsel for DRA, SCGC, and SoCalGas requested, and on March 21, 2013 Judge Mason granted, a request for continuance of the hearings conditioned on a Motion to Approve the Settlement, along with the Settlement Agreement, being filed on or before April 19, 2013. Pursuant to Commission Rule 12.1(b), a noticed Settlement Conference was held on April 5, 2013.

II.
REASONABLENESS OF THE PHASE TWO SETTLEMENT

As discussed in more detail in the motion to which this Settlement is attached, the Settlement fully complies with the Commission's requirements that settlements be reasonable, consistent with law, and in the public interest. The Settling Parties have recognized that there is risk involved in litigation, and that a party's filed position might not prevail, in whole or in part, in the Commission's final determination. The Settling Parties have vigorously argued their positions in this matter, and have reached compromise positions that they believe are appropriate in light of the litigation risks. This Settlement reflects the Settling Parties' best judgments as to

the totality of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.

III.
SETTLEMENT TERMS AND CONDITIONS

The Settling Parties agree that this Settlement Agreement represents a compromise and that this Settlement does not constitute a precedent regarding any principle or issue in this proceeding or any future proceeding. By participating in this settlement, no party waives its rights to argue its position relative to biogas standards or a utility's role in any other proceeding, providing that no party shall argue positions in contravention of the terms of this Settlement Agreement.

A. Competitive Market; Unfair Competition

The Settlement provides guidelines and rules to guard against unfair competition in the provision of the BCS Tariff:

i. Full-Cost Ratemaking

1. The tariff rate charged to the customer shall be fully compensatory and cost based, but not otherwise restricted except for the fully-compensatory pricing provisions described herein.
2. The tariff rate shall be established through negotiation between the BCS Tariff customer and SoCalGas based on a cost-of-service formulation. The formulation will employ full overhead loaders and indirect charges using a capital charge rate no lower than the utility authorized weighted average cost of capital (although the negotiated capital charge rate may by higher than the utility authorized cost of capital) to ensure that the price charged for provision of the BCS Tariff be fully compensatory and, therefore, not unfairly competitive.

ii. BCS Tariff Promotion and Reporting Requirements

1. The BCS Tariff shall be promoted on a competitively neutral basis.
2. SoCalGas shall implement procedural processes and requirements related to SoCalGas' website, the use of competitively neutral scripts, bill inserts, and customer certifications:
   - SoCalGas shall provide information on its website concerning the BCS Tariff in a competitively neutral way.
     - The information for the website (Attachment 1) shall be included as part of SoCalGas' Tier 1 advice letter seeking final approval of the BCS Tariff and shall be reviewed by the Commission to ensure neutrality.
     - Web site and other promotional materials (Attachment 2) shall state that the tariff is fully optional, not tied to other utility services and that other providers may provide the same or similar services.
   - As a condition of negotiating service with SoCalGas, BCS Tariff customers shall be required to certify that they are aware that the service is optional, not tied to other services and may be provided by others.
   - SoCalGas shall be required to use competitively neutral scripts (Attachment 3) in answering inquiries concerning the BCS Tariff.
     - These scripts shall be included as part of the Tier 1 advice letter seeking final approval of the BCS Tariff and shall be reviewed by the Commission to ensure their neutrality.

- SoCalGas shall not be allowed to promote the BCS Tariff through the use of bill inserts or the customers' bill for natural gas service.

3. SoCalGas shall provide periodic reporting to provide the Commission with the information needed to provide ongoing oversight and direct adjustments the Commission may deem necessary to avoid unfair competition.
4. SoCalGas shall serve on parties to this proceeding, and provide to the Commission's Executive Director, a semiannual report pertaining to its provision of services needed to prepare for interconnection by BCS Tariff and non-BCS Tariff customers.[1]
5. SoCalGas shall serve the first semi-annual report by the end of the ninth months following authorization and shall cover the first six months following the Commission's resolution authorizing the BCS Tariff.
6. SoCalGas shall file subsequent reports every six months and each report shall include the information identified in Attachment 4.
7. The reports and advice letters identified in this section ii (*BCS Tariff Promotion and Reporting Requirements)* shall not be deemed confidential.

iii. Non-Discriminatory Service Provision

1. SoCalGas shall not tie provision of the BCS Tariff to any other services provided by SoCalGas.
2. SoCalGas shall provide the Commission periodic reporting and BCS customer certifications to validate non-discriminatory provision of tariff services.

B. <u>Ratepayer Protections</u>

i. Ratepayer Benefits

[1] Commercially sensitive or confidential material will only be provided to the Commission.

1. The Settling Parties agree that the state of California and the Commission have established policies emphasizing the importance of biogas as a renewable energy resource.
2. The proposed BCS Tariff has the potential to advance state policy goals and create environmental benefits.

ii. Ratepayer Risk

1. BCS project rates shall be established through special contracts with BCS customers.
2. SoCalGas shareholders shall bear the risk associated with providing the BCS Tariff.
3. SoCalGas ratepayers not participating in BCS projects (non-participating ratepayers) shall bear no costs or risks from the provision of this service.
4. Incremental costs and revenues associated with providing the BCS Tariff shall be excluded from base rates determined in SoCalGas' general rate case proceedings.
5. BCS Tariff costs shall be excluded from future rate cases and costs associated with the provision of the BCS Tariff be recovered only from BCS Tariff customers or SoCalGas shareholders.
6. No future proceeding will include any request for any resources for the promotion or delivery of the BCS Tariff.
7. Any existing and future general rate case approved resources used to specifically benefit the BCS Tariff will be tracked and reimbursed to non-participating ratepayers.
8. As discussed in section III. B.iii, tracking and balancing accounts shall be used so

that SoCalGas' other, non-participating ratepayers bear no BCS Tariff costs.

9. As discussed in section III. B.iii, tracking and balancing accounts shall be used so that non-participating SoCalGas ratepayers are reimbursed for any embedded resources funded through general rates used in promotion or delivery of the BCS Tariff.

10. No BCS Tariff payments, beyond reimbursements for the fully loaded costs of embedded resources used for the promotion or delivery of the BCS Tariff, shall be provided to ratepayers.

iii. Tracking and Balancing Accounts

1. SoCalGas shall establish balancing and tracking accounts to track the BCS Tariff project costs so that costs for any ratepayer-funded resources used in promotion or delivery of biogas conditioning/upgrading services are fully reimbursed to ratepayers.

2. BCS Tariff costs that are not recovered from BCS Tariff customers shall be borne by SoCalGas shareholders.

C. <u>Rule 30 Responsibilities</u>[2]

1. For those customers wishing to interconnect to the utility pipeline system SoCalGas must:

   - Condition/upgrade biogas consistent with the then-applicable gas quality tariff rules.

[2] This section of the Settlement Agreement applies to the current Rule 30, but would also apply to any changes to that rule or to any new rule that covers the same subject matter.

- Structure the service agreement so SoCalGas will not own the biogas entering a BCS Tariff facility or the processed biomethane leaving the biogas conditioning/upgrading facility.
- Structure the service agreement so SoCalGas will not be the "customer" under SoCalGas' Rule 30.

2. SoCalGas is required to clearly state in the BCS Tariff Agreement that the owner of the renewable natural gas is liable for any damage to pipeline integrity and safety or human health resulting from pipeline injection of improperly treated gas.
3. SoCalGas is precluded from seeking cost recovery from ratepayers through rates for any liability damage costs associated with damage to pipeline integrity, safety, environmental damage or human health resulting from pipeline injection of improperly treated gas associated with the BCS Tariff.
4. This Settlement does not preclude a settling party from arguing its position relative to biogas and biomethane standards, or the utility's role, in any other proceeding, providing that no party shall argue positions in contravention of the terms of this Settlement Agreement.

IV.
ADDITIONAL TERMS AND CONDITIONS

A. Record

The filings, attachments, and other public exhibits identified in this Settlement will be identified as exhibits in this proceeding and received into evidence, without cross-examination, for the sole and limited purpose of facilitating a determination by the Commission of whether the Settlement Agreement is reasonable in light of the whole record, consistent with the law and in the public interest. In the event that this Settlement is not approved by the Commission and the

issues in this proceeding continue through further discovery and evidentiary hearings, the Settling Parties reserve the right to object to the admissibility of any of these filings, attachments and other exhibits, or any portion thereof.

B. Reasonableness

The Settling Parties have independently evaluated the terms and conditions of the Settlement and, notwithstanding the settlement discussions among the Settling Parties, which shall remain confidential pursuant to Commission rules, no Party has relied or presently relies upon any statement, promise or representation by any other Party, whether oral or written, except as specifically set forth in this Settlement.

The Settling Parties are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Party. Each of the Settling Parties hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement, including each of the Settling Parties' right to discuss this Settlement with its legal counsel, and has exercised those rights, privileges, and duties to the extent deemed necessary.

In executing this Settlement, the Settling Parties agree that the Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

C. Severability

The provisions of this Settlement are not severable. If the Commission or any court of competent jurisdiction overrules or modifies as legally invalid any material provision of this Settlement, this Settlement may, at the discretion of either of the Settling Parties, be considered rescinded as of the date such ruling or modification becomes final.

D. Commission Approval

This Settlement is subject to approval by the Commission. The Settling Parties support the Settlement, recommend that the Commission approve it in its entirety without change, and will use their best efforts to secure Commission approval of it in its entirety without modification.

If the Commission fails to adopt the Settlement in its entirely without material change, the Settling Parties shall convene a settlement conference within 15 business days thereof to discuss whether they can resolve any issues raised by the Commission's action(s). If the Settling Parties cannot mutually agree to resolve the issues raised by the Commission's action(s), the Settlement shall be rescinded and the Settling Parties shall be released from their obligation to support this Settlement. Thereafter, the Settling Parties may pursue any action they deem appropriate, but agree to cooperate to establish a procedural schedule for the remainder of the proceeding.

E. Governing Law

This Settlement shall be governed by the laws of the State of California as to all matters, including, but not limited to, matters of validity, construction, effect, performance and remedies.

F. Entire Agreement

This Settlement constitutes the Settling Parties' entire agreement, which cannot be modified without the express written and signed consent of all the parties hereto.

G. Counterparts

This Settlement may be executed in separate counterparts with the same effect as if the parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Settlement.

H. Effective Date

This Settlement shall become effective and binding on the parties of the date it is approved and the Commission's decision becomes final and non-appealable.

SOUTHERN CALIFORNIA GAS COMPANY

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AGRICULTURAL ENERGY CONSUMERS ASSOCIATION

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DIVISION OF RATEPAYER ADVOCATES

Joe Como
Acting Director

Attachment 1
SoCalGas Website – Competitively Neutral Language

SoCalGas Website Competitively Neutral Language

SoCalGas proposes to modify current language within the SoCalGas webpage entitled "Biogas and Biomethane", as shown below.

Biogas and Biomethane

Certain businesses produce organic waste that can be repurposed into a clean, renewable fuel source called biogas. When biogas is conditioned/upgraded to pipeline-quality natural gas, it becomes biomethane. Here are some types of businesses that tend to have their own supplies of the waste needed to make biomethane:

- Dairies
- Food processing companies
- Waste water treatment plants

Benefits of Biomethane

You can use biomethane to power equipment that uses natural gas or generate your own electricity on-site. This is a great way to save money and energy overall:

- Lower emissions of unused "waste" methane
- Reduce the need for conventional fossil fuel
- Cut production and waste disposal costs

Unlike other sources of renewable energy—such as solar and wind—biomethane doesn't need the sun to shine or the wind to blow. Waste material can be converted into deliverable, renewable energy 24/7!

Selling Biomethane on the Open Market

When biogas is conditioned into biomethane, it potentially sells at a higher price than natural gas. For example, SoCalGas' average gas price was $____ per MMBTU in 2012, while biomethane could have been sold for at least $9.00 per MMBTU.

SoCalGas has an existing infrastructure of pipelines which can be used to transport biomethane almost anywhere. Are you interested in learning more about how to interconnect with SoCalGas" open access system?

Visit our Gas Suppliers page (web link)

How It Works

Where do biogas and biomethane come from? We explain this fairly simple procedure.

- The process for converting biogas to biomethane (web link)

Seeking to Condition/Upgrade Your Biogas?

SoCalGas has compiled a list of suppliers (pdf)* which includes project developers, consultants, equipment manufacturers, installers and others which may prove helpful to you in this process. Non-utility service providers may offer services that are the same or similar to the SoCalGas Biogas Conditioning/Upgrading Services Tariff and customers are encouraged to explore these service options.

Contact Us

For more information, contact Jim Lucas at (213) 244-3276.

* Provided for information purposes only. There are numerous qualified non-utility providers of products and services needed for construction and operation of biogas conditioning and upgrading facilities, but Southern California Gas Company does not recommend or endorse the products or services of any particular party listed herein, or represent that the particular

products or services are fit for any particular purpose or use. By publishing this list, Southern California Gas Company is not acting in an advisory capacity, and does not assume any responsibility for use of the list by customers. Although commercially reasonable efforts are used in posting this list, no representation is made that it is complete or free from error. Related information is posted at www.socalgas.com. To be added to the list, please send an e-mail to jlucas@semprautilities.com. Vendors are listed alphabetically and the order of listing implies no preference."[72]

SoCalGas proposes to modify the SoCalGas website by adding a new webpage entitled "Biogas Conditioning/Upgrading Services Tariff" (see Attachment 2) that will use the information developed for the competitively neutral script (see Attachment 3).

[72] The text "list of suppliers" will contain a hyperlink to an Adobe Acrobat file containing the list of suppliers referenced. The text "Biogas Conditioning/Upgrading Services Tariff" will contain a hyperlink to a separate webpage entitled "Biogas Conditioning/Upgrading Services Tariff".

Attachment 2
Biogas Conditioning/Upgrading Services Webpage – Competitively Neutral Language

Biogas Conditioning/Upgrading Services Webpage Language

SoCalGas proposes to modify the SoCalGas website by adding a new webpage entitled "Biogas Conditioning/Upgrading Services Tariff" that contains the following language:

The Biogas Conditioning/Upgrading Services Tariff, G-BCUS, is an optional tariff service for customers that allows SoCalGas to plan, design, procure, construct, own, operate, and maintain biogas conditioning and upgrading equipment on customer premises. The biogas will be conditioned/upgraded to the gas quality specifications as requested by the customer and agreed to by SoCalGas. Examples of customer end-use applications that can be served by the Biogas Conditioning/Upgrading Services Tariff include, but are not limited to: renewable natural gas for pipeline injection, CNG for vehicle refueling stations, and conditioned/upgraded biogas for combined heat and power (CHP) facilities.

Non-utility service providers may offer services that are the same or similar to the Biogas Conditioning/Upgrading Services Tariff and customers are encouraged to explore these service options. To assist customers in understanding all of their service options, SoCalGas has compiled a list of suppliers (pdf)* which includes project developers, consultants, equipment manufacturers, installers and others.

Customers interested in the Biogas Conditioning/Upgrading Services Tariff should be aware of the following:

- The Biogas Conditioning/Upgrading Services Tariff is a fully elective, optional, non-discriminatory tariff service that is neither tied to any other tariff or non-tariff services the customer may receive from SoCalGas nor will it change the manner in which these services are delivered. As an example, requests for an interconnection capacity study are processed on a "first come, first served" basis for all customers, including customers that elect to take the Biogas

Conditioning/Upgrading Services Tariff and customers that do not.

- Any agreement to provide service under the Biogas Conditioning/Upgrading Services Tariff is at SoCalGas' discretion and will depend on non-discriminatory factors such as safety, SoCalGas resource availability, technical feasibility, and acceptability of commercial terms.
- SoCalGas will not engage in any activities upstream from the point of receipt of untreated biogas or downstream from the service delivery point for conditioned/upgraded biogas. In particular, the establishment of the utility interconnection facility is the responsibility of the tariff customer.
- The customer is the sole owner of any gas treated under the Biogas Conditioning/Upgrading Services Tariff. The customer is solely responsible for ensuring that treated biomethane intended for pipeline injection meet Rule 30 standards for pipeline injection of customer-owned gas.

* Provided for information purposes only. There are numerous qualified non-utility providers of products and services needed for construction and operation of biogas conditioning and upgrading facilities, but Southern California Gas Company does not recommend or endorse the products or services of any particular party listed herein, or represent that the particular products or services are fit for any particular purpose or use. By publishing this list, Southern California Gas Company is not acting in an advisory capacity, and does not assume any responsibility for use of the list by customers. Although commercially reasonable efforts are used in posting this list, no representation is made that it is complete or free from error. Related information is posted at www.socalgas.com. To be

added to the list, please send an e-mail to jlucas@semprautilities.com. Vendors are listed alphabetically and the order of listing implies no preference.[73]

[73] The text "list of suppliers" will contain a hyperlink to an Adobe Acrobat file containing the list of suppliers referenced. The text "G-BCUS" will contain a hyperlink to the new tariff sheet for the "Biogas Conditioning/Upgrading Services Tariff".

Attachment 3
Competitively Neutral Script

Competitively Neutral Script

In response to customer inquiries regarding the Biogas Conditioning/Upgrading Services Tariff, SoCalGas will use the following competitively neutral script to respond to customer questions:

Overview of Biogas Conditioning/Upgrading Services Tariff

The Biogas Conditioning/Upgrading Services Tariff is a fully elective, optional, non-discriminatory tariff service for customers that allows SoCalGas to plan, design, procure, construct, own, operate, and maintain biogas conditioning and upgrading equipment on customer premises. The biogas will be conditioned/upgraded to the gas quality specifications as requested by the customer and agreed to by SoCalGas.

The tariff service is neither tied to any other tariff or non-tariff services the customer may receive from SoCalGas nor will it change the manner in which these services are delivered. Non-utility service providers may offer services that are the same or similar to the Biogas Conditioning/Upgrading Services Tariff and customers are encouraged to explore these service options. To assist customers in understanding all of their service options, SoCalGas maintains and provides customers with a list of non-utility service providers.[74]

Customer Question: What are some examples of end-use applications that would use this tariff?

[74] The list of non-utility service providers is currently posted at http://www.socalgas.com

SoCalGas Response: Examples of customer end-use applications that can be served by the Biogas Conditioning/Upgrading Services Tariff include, but are not limited to: renewable natural gas for pipeline injection, CNG for vehicle refueling stations, and conditioned/upgraded biogas for combined heat and power (CHP) facilities.

Customer Question: Is the Biogas Conditioning/Upgrading Services Tariff mandatory if customers want to put renewable natural gas (biomethane) into the pipeline?

SoCalGas Response: No. Customers may elect to install and maintain their own biogas conditioning and upgrading equipment or engage a third party to install and maintain their biogas conditioning and upgrading equipment rather than take the Biogas Conditioning/Upgrading Services Tariff from SoCalGas.

Customer Question: Does enrollment in this tariff result in any preferential treatment when it comes to getting gas service?

SoCalGas Response: No. The Biogas Conditioning/Upgrading Services Tariff is a fully elective, optional, non-discriminatory tariff service that is neither tied to any other tariff or non-tariff services the customer may receive from SoCalGas nor will it change the manner in which these services are delivered. As an example, requests for an interconnection capacity study are processed on a "first come, first served" basis for all customers, including customers that elect to take the Biogas Conditioning/Upgrading Services Tariff and customers that do not.

Customer Question: Who can receive service under the Biogas Conditioning/Upgrading Services Tariff?

SoCalGas Response: The Biogas Conditioning/Upgrading Services Tariff is generally applicable to producers of biogas. Any agreement to provide service under the Biogas Conditioning/Upgrading Services Tariff is at SoCalGas' discretion and will depend on nondiscriminatory factors such as safety, SoCalGas resource availability, technical feasibility, and acceptability of commercial terms.

Customer Question: Under this service, would SoCalGas be responsible for all equipment connected to the biogas conditioning and upgrading facilities?

SoCalGas Response: No. This service does not cover any activities either upstream from the point of receipt of untreated biogas or downstream from the service delivery point for conditioned/upgraded biogas.

Customer Question: Who owns biogas treated under the Biogas Conditioning/Upgrading Services Tariff?

SoCalGas Response: Any gas processed under the Biogas Conditioning/Upgrading Services Tariff is solely owned by the customer before, during, and after processing. It is solely the customer's responsibility to ensure that treated biomethane intended for pipeline injection meet Rule 30 standards for pipeline injection of customer-owned gas. The customer is solely responsible for any damage to pipeline integrity or human health which results from improperly treated gas entering SoCalGas' distribution system.

Attachment 4
Semiannual Report to the Commission

Reporting Requirements

SoCalGas will provide periodic reporting to the Commission to provide them with the information needed for ongoing oversight and to direct any adjustments the Commission may deem necessary to avoid unfair competition. As such, SoCalGas' Semiannual Report to the Commission shall contain the following information:

- Cycle Times for Any Key Processes Related to Interconnections
- Gas Volume Information
  - Volume of biomethane conditioned/upgraded by SoCalGas under the BCS Tariff and injected into SoCalGas' system
  - Volume of biomethane conditioning/upgraded and injected by third parties into SoCalGas' system[75]
  - Volume of biomethane conditioned/upgraded by SoCalGas under the BCS Tariff that is used on the BCS Customer's premise
- Customer and Management Certifications

[75] Commercially sensitive or confidential material will only be provided to the Commission

APPENDIX B

SOCALGAS TESTIMONY LIST

Proposed Exhibit #	Date Served	Party	Witness	Title
SCG-01	4/25/12[76]	**SoCalGas**	**Jeffrey Reed**[77]	**Direct Testimony**; Chapter I – Policy Support
SCG-02	4/25/12[78]	**SoCalGas**	**Jim Lucas**[79]	**Direct Testimony**; Chapter II – Services and Benefits
SCG-03	4/25/12	**SoCalGas**	**Krystal Joscelyne**	**Direct Testimony**; Chapter III – Cost Tracking and Regulatory Treatment
SCG-04	1/18/13	**SoCalGas**	**Jeffrey Reed**	**Supplemental Direct Testimony**
SCG-05	1/18/13	**SoCalGas**	**Jim Lucas**	**Supplemental Direct Testimony**
SCG-06	1/18/13	**SoCalGas**	**Krystal Joscelyne**	**Supplemental Direct Testimony**
SCG-07	3/8/13	**SoCalGas**	**Jeffrey Reed**	**Rebuttal Testimony**
SCG-08	3/8/13	**SoCalGas**	**Jim Lucas**	**Rebuttal Testimony**
SCG-09	3/8/13	**SoCalGas**	**Krystal Joscelyne**	**Rebuttal Testimony**

[76] SoCalGas submitted their original Direct Testimony of Hal Snyder on April 25, 2012
[77] Testimony originally submitted by Hal Snyder, adopted by Jeffrey Reed on March 19, 2013
[78] SoCalGas submitted their original Direct Testimony of Ron Goodman on April 25, 2012
[79] Testimony originally submitted by Ron Goodman, adopted by Jim Lucas on March 19,2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **JOINT MOTION OF SOUTHERN CALIFORNIA GAS COMPANY, DIVISION OF RATEPAYER ADVOCATES, SOUTHERN CALIFORNIA GENERATION COALITION, AND AGRICULTURAL ENERGY CONSUMERS ASSOCIATION FOR ADOPTION OF SETTLEMENT AGREEMENT** on all parties of record in **A.12-04-024** by electronic mail and by U.S. mail to those parties who have not provided an electronic address to the Commission.

Copies were also sent by overnight mail to the Assigned Administrative Law Judge in this proceeding.

Dated at Los Angeles, California, this 3rd day of May, 2013.

/s/ Marjorie O. Bracken
Marjorie O. Bracken

(End of Attachment A)