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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Adopt Biomethane Standards and Requirements, Pipeline Open Access Rules, and Related Enforcement Provisions.	Rulemaking 13-02-008 (Filed February 13, 2013)

DAIRY CARES OPENING COMMENTS ON ASSIGNED COMMISSIONER'S RULING ORDERING RESPONSES TO INTERCONNECTION COST QUESTIONS

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In accordance with the *Assigned Commissioner's Ruling Ordering Responses to Interconnection Cost Questions*, dated September 23, 2025 ("ACR"), Dairy Cares[1] submits these opening comments on the ACR.

INTRODUCTION AND SUMMARY

Dairy Cares appreciates the opportunity to respond to the questions in the ACR. Dairy Cares works closely with dairy producers who have installed methane reduction projects, including dairy digesters, on their farms in California. Dairy Cares also works closely with the state's leading developers of dairy digester projects. Several of these developers also develop projects in other states throughout the United States. At the outset, we would note that we have supported the continuation of using non-ratepayer funds to expand the pipeline biomethane incentive program. This program remains oversubscribed and is crucial to ensuring that biomethane projects necessary for meeting the state's Short Lived Climate Pollutant ("SLCP") goals can interconnect in a timely fashion ahead of the SLCP deadlines. This program is crucial to ensure that projects deliver direct environmental benefits to California. California has very

[1] Dairy Cares represents California's dairy sector, including dairy producer organizations, leading cooperatives, and major dairy processors. For more information about Dairy Cares, please visit www.dairycares.com.

high pipeline interconnection costs compared to other jurisdictions, and we appreciate the California Public Utilities Commission ("Commission") evaluating opportunities for mitigating these costs. We also request that the Commission issue a proposed decision on new Senate Bill ("SB") 1440 procurement rules as requested in Dairy Cares' comments on the June 10, 2024 *Assigned Commissioner's Ruling Seeking Comments Regarding The Renewable Gas Standard Program And Decision 22-02-025 Issues* at its earliest convenience.

The expense of connecting new biogas facilities to the pipeline system is a major barrier to development. Some of the relatively high costs in California are due to California's stringent quality standards that have been in effect since 2012. However, other costs can be better managed through updates to the utilities' interconnection practices. As discussed further below, we encourage the Commission to evaluate cost-saving measures such as reduced contingency amounts and the use of backflow compressors that can significantly reduce interconnection costs and improve distribution without compromising safety.

Dairy Cares provides responses to select questions posed in the ACR below. We may provide additional responses to these and/or other questions posed in the ACR in Reply comments.

DISCUSSION

Utility Questions

4. What factors contribute most significantly to interconnection cost variations across projects? Explain.

Feedback from our members suggests that California interconnection costs average two to three times higher than costs in other states. Developers specifically cite high supervision costs and exorbitant contingency fees as the primary driver of higher interconnection costs in California.

10(c) Regarding contingency amounts: Are any limits applied to potential contingency amounts?

Dairy Cares has observed that some pipeline biomethane interconnection agreements include contingency amounts greatly exceeding the project's projected interconnection costs by as much as 100%. These contingency amounts can create a significant barrier to entry because the interconnection customer must factor the contingency amount into its initial financing for the project. We encourage the Commission to review how often the utilities actually need the contingency and to direct the utilities to scale their contingency amounts to the average contingency actually required for projects in the past.

Questions for All Parties

2. How do the four large gas utilities' interconnection costs compare to gas utility interconnection costs in other states or other pipeline operators? If there are differences, what are key drivers of differences?

See introductory comments.

3. Are interconnection costs in California a significant market barrier for biomethane developers? Explain.

Assembly Bill 1900 and SB 1383 called for the Commission to lower costs of biomethane procurement and thus reduce barriers for projects. In accordance with this legislative intent, the Biomethane Monetary Incentive program ("BMI") was created and has yielded a total of $80 million. However, these funds are in high demand and no longer available. The program has a waitlist of viable projects waiting for funds. The BMI program covers expenses, including (1) gathering lines which transport biomethane from its source to the gas utility so that it can then be transported to the customer and (2) interconnections between transmission and distribution.

Dairy Cares supports additional funding to help mitigate the barrier to entry from the significant upfront costs without relying on ratepayer funds (e.g., requests for rate basing interconnection costs by investor-owned utilities ("IOUs")). In addition, as discussed below, Dairy Cares recommends updates to cover a broader scope of interconnection costs. For example, IOU-installed backflow compressors should be eligible for funding under the BMI. Backflow compressors enable the interconnection of projects on smaller lines that have insufficient takeaway capacity as the gas can be moved upstream to a main gas line and delivered to a customer on a different part of the system. Funding backflow compressors will enable a broader and more geographically disparate pool of projects to compete in the Renewable Gas Standard. Similarly, if additional funding is provided for the BMI, conditioning and upgrade facilities needed to deliver pipeline-quality biogas should also be deemed as eligible interconnection expenses under the BMI.

4. How can the Commission lower interconnection costs?

Gas utilities should play a greater role in gathering biomethane from producers. One of California's great assets is its gas utilities and their network of natural gas mains and distribution lines that span across the state. In the past, this system flowed gas from high-pressure sources to low pressure sinks (customers) in one direction only, which is still mostly the case. The gas system operates much the same way the electric utility networks previously operated. Bi-directional flows are now common-place on the electric grid, and the gas utilities should follow suit. The Commission should direct the gas utilities to proactively explore the installation of compressors to back flow renewable natural gas collected on gas distribution lines that do not have sufficient year-round gas demand so it can be moved upstream into main lines and delivered to customers elsewhere on the system. Failure to proactively consider the backflow of renewable natural gas can strand otherwise-viable biogas projects and wastes a huge asset waiting to be put to this new use.

While Dairy Cares does not support broad rate basing of interconnection costs, we can support rate basing of compressors and other system improvements that provide clean system benefits.

5. How do supervisory fees in California compare to other states?

Feedback from our members suggests that supervisory costs passed through to interconnection customers are overstated and in some cases the Utilities are not actually incurring supervisory costs.

6. Should the Commission take steps to reduce the supervisory fees charged by the Utilities? If so, how?

Yes, supervisory costs should be minimized since they are being provided by existing IOU staff. These costs should already appropriately be embedded in the rate base.

Dairy Cares appreciates the opportunity to provide comments on this ACR.

Dated: October 23, 2025

Respectfully submitted,

/s/

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