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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. | R.13-02-008<br>(Filed February 13, 2013) |
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**REPLY COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY ON ASSIGNED COMMISSIONER'S RULING ORDERING RESPONSES TO INTERCONNECTION COST QUESTIONS**

ISMAEL BAUTISTA, JR.

Attorney for:
SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Telephone: (213) 231-5978
Facsimile: (213) 629-9620
E-Mail: IBautista@SoCalGas.com

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**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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# REPLY COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY ON ASSIGNED COMMISSIONER'S RULING ORDERING RESPONSES TO INTERCONNECTION COST QUESTIONS

## I. INTRODUCTION

Pursuant to the Assigned Commissioner's Ruling Ordering Responses to Interconnection Cost Questions (Ruling) dated September 23, 2025, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) hereby submit their Reply Comments to the Ruling.[1] SoCalGas and SD&GE appreciate the parties' opening comments setting forth various proposals to reduce interconnection costs and improve the biomethane interconnection process. SoCalGas and SDG&E agree with parties that recommend rate-basing interconnection costs because doing so would eliminate the 24% tax factor under the Income Tax Component of Contributions and Advances (ITCCA) that producers pass on to ratepayers via higher biomethane prices. SoCalGas and SDG&E nonetheless disagree with parties' concerns regarding supervisory fees, which fund critical activities mandated by federal regulations and CPUC General Order No. 112-F.

## II. RESPONSES TO PARTY OPENING COMMENTS

### 1. SoCalGas and SDG&E Agree with Proposals to Rate Base Biomethane Interconnection Facilities.

SoCalGas and SDG&E support the positions of the Coalition for Renewable Natural Gas (RNGC)[2] and the Bioenergy Association of California (BAC)[3] that an effective way to reduce

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1 Pursuant to Rule 1.8(d) of the Commission's Rules of Practice and Procedure, SoCalGas has been authorized to submit these comments on behalf of itself and SDG&E. SoCalGas managed the gas interconnection process for SDG&E customers.

2 RNGC Opening Comments at 5.

3 BAC Opening Comments at 5.

interconnection costs by approximately 24% is to allow utilities to rate base interconnection facilities. As stated in SoCalGas and SDG&E's opening comments,[4] when a biomethane developer is seeking to connect to the utility pipeline, the utility requires the developer to provide the contribution in aid of construction or advance the funds for the interconnection to the utility. This funding, however, is subject to a 24% tax factor under ITCCA. The ITCCA does not apply to utility investments *(i.e.,* rate-based assets). As such, rate basing interconnections could result in a lower biomethane procurement price because the 24% ITCCA is no longer embedded into the price the interconnectors charge for biomethane.

Also, while the Biomethane Monetary Incentive Program (BMI Program) has been important in advancing and commissioning over 17 biomethane interconnection projects[5] statewide by lowering the interconnection costs to developers, allowing the utilities to rate base interconnection facilities addresses the situation where a substantial portion of the BMI Program funding is effectively being used to offset ITCCA-related costs. As an illustration, if the estimated interconnection cost is $10 million (point of receipt and pipeline extension cost), the amount paid by the interconnector is marked up by 24% for the ITCCA, resulting in a total cost is $12.4 million. A $3 million BMI Program payment to the interconnector would effectively cover the ITCCA of $2.4 million, leaving $600,000 to reduce the cost of the interconnection facility. Reallocating the BMI Program funding from "incentive" to "rate base" would enable 100% of the funding to support the project because the ITCCA's 24% mark-up does not apply to utility investments (*i.e.*, rate base). Stated differently, rate basing biomethane interconnections could result in a cost reduction of 24%. Rate basing interconnection investment costs would be consistent with D.17-12-004, which allowed SoCalGas and PG&E to rate base interconnection facilities for six SB 1383 Dairy Pilot Projects (four SoCalGas and two PG&E).[6]

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4 SoCalGas/SDG&E Opening Comments at 14.

5 The number of projects that have received funding from the BMIP as shown on the CPUC BMIP tracking website. *Available at:* https://www.cpuc.ca.gov/industries-and-topics/natural-gas/renewable-gas.

6 D.17-12-004, Ordering Paragraph (OP) 5, App'x A.

SoCalGas and SDG&E also support the positions of RNGC[7] and Dairy Cares[8] for the rate basing of reverse flow compression facilities. As discussed in SoCalGas and SDG&E's opening comments,[9] a reverse flow compression station could significantly reduce the pipeline extension length by compressing gas from a lower pressure to a higher-pressure pipeline (creating incremental capacity in the lower pressure pipeline).

### 2. SoCalGas and SDG&E Agree with Most PG&E Proposals to Improve the Biomethane Interconnection Process.

SoCalGas and SDG&E are committed to continue to enhance the biomethane developer experience through Screening Study, Preliminary Engineering Study (PES), Detailed Engineering Study (DES), Long Lead Material Procurement (LLMP), and Construction phases process improvements.

As such, SoCalGas and SDG&E agree with many of the actions that Pacific Gas and Electric Company (PG&E) has taken or plans to take to improve the biomethane interconnection process.[10] Specifically, how the improvement of these processes relates to reducing overall project costs. SoCalGas and SDG&E agree with PG&E's comments that the standardization of the point of receipt, along with the scope of work for the development of the biomethane facilities, will benefit the interconnection process. Standardization could lead to better cost certainty and project durations.

### 3. SoCalGas and SDG&E Disagree with Various Stakeholders Regarding Supervisory Fees.

Dairy Cares, RNGC, and Waga Energy separately express concerns regarding the transparency and fairness of supervisory costs in the biomethane interconnection processes. Dairy Cares claims that these costs are often overstated and not always incurred, recommending they be minimized and embedded in the ratebase.[11] RNGC criticizes the lack of detailed cost breakdowns, noting that the current categorization prevents developers from assessing cost reasonableness, and suggests reducing or eliminating supervisory fees to lower overall

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[7] RNGC Opening Comments at 5-6.

[8] Dairy Cares Opening Comments at 5.

[9] SoCalGas/SDG&E Opening Comments at 12.

[10] PG&E Opening Comments at 14-15.

[11] Dairy Cares Opening Comments at 5.

interconnection costs.[12] Waga Energy proposes capping supervisory activities and rates and advocates for greater cost transparency by expanding categories and separately itemizing labor, materials, and other cost elements.[13]

SoCalGas and SDG&E respectfully disagree with the assertion that supervisory costs passed through to biomethane interconnectors are overstated or, in some cases, not actually incurred by the utilities. Supervisory activities are a critical component for promoting safety, reliability, and compliance. These costs reflect real-time oversight, coordination, and quality assurance efforts that are necessary to comply with the companies' Operator Qualification (OQ) Program under the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration, as required by 49 CFR §§ 192.801 through 192.809 and incorporated into CPUC General Order No. 112-F. SoCalGas and SDG&E are also required to operate, maintain, and oversee the biomethane interconnection facility for its entire operational life for long-term safe and reliable operation. Supervisory activities support the facility's integrity for public safety. For example, validation that the facility is built to SoCalGas specification verifies that the equipment can be operated by trained and qualified personnel and will function as designed to only allow gas deliveries compliant with CPUC standards. The utility maintains the facility's design, construction, testing and operation records to comply with GO 112-F and applicable federal regulations, which are required to be made available to the CPUC.

Minimizing or capping supervisory costs without regard to the actual scope and complexity of interconnection work can risk compromising the quality of installations. Utilities must retain the flexibility to allocate appropriate resources based on project-specific needs, and any reduction in oversight could lead to increased operational risks and long-term costs.

Additionally, although they are available upon request, biomethane interconnectors have not requested a breakdown of supervisory fees prior to the beginning of the project. Supervisory fees are considered estimates, and if overcollected at the beginning of the project, a refund is provided to the interconnector. The level of transparency and detail of cost estimates provided to biomethane interconnectors is aligned with SoCalGas and SDG&E's respective Rule 45.

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12 RNGC Opening Comments at 7.

13 Waga Energy Opening Comments at 8-9.

## III. CONCLUSION

SoCalGas and SDG&E appreciate the opportunity to provide reply comments on this Ruling.

Respectfully submitted,

By: */s/ Ismael Bautista, Jr.*
Ismael Bautista, Jr.

Attorney for:
SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Telephone: (213) 231-5978
Facsimile: (213) 629-9620
E-Mail: IBautista@SoCalGas.com

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