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R2212011

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to  
Address Biomethane Procurement  
Cost Allocation.

Rulemaking 22-12-011

**ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING  
SUPPLEMENTAL COMMENTS**

This ruling directs respondents and authorizes other parties to provide supplemental comments responding to the questions in Sections 1 through 3. Comments must be filed and served within 30 days after the issuance of this Ruling and shall not exceed 20 pages.

Parties may file and serve reply comments not exceeding 10 pages within 40 days after the issuance of this Ruling.

**1. Supplemental Questions Regarding Renewable  
Thermal Certificates and the Value of Environmental  
Attributes**

1. Renewable Thermal Certificates (RTCs) are digital certificates that can be used to track and verify biomethane carbon intensity and compliance with biomethane procurement targets. Are RTCs also appropriate for comprehensively valuing the environmental attributes of biomethane, for the purposes of cost allocation? If not, what other quantifiable method is recommended?
2. What is the current and potential value of RTCs? What factors affect RTC value?
3. Should environmental attributes in the form of RTCs benefit ratepayers in the form of reduced above market costs?

4. If RTCs define environmental attributes, D.22-02-025 requires the utilities to retain ownership of RTCs and prohibits their sale or transfer to prevent double-counting. Should the utilities be allowed or required to sell RTCs, and if so, how could double-counting be prevented? If utilities must retain RTCs, how will RTCs generate financial value for ratepayers?
5. Does the use of RTCs to quantify environmental attributes involve financial risk or opportunity related to uncertainty in RTC value? If so, should that risk be shared? Would allowing biomethane producers to retain RTCs effectively share this risk/opportunity?
6. If biomethane producers were allowed to retain RTCs, what contractual requirements or other rules would be necessary to ensure that this would result in lower biomethane contract costs, and how could double-counting otherwise be prevented?

**2. Supplemental Questions Regarding Cost Allocation Principles and Methodologies**

1. Parties have argued that the Commission should be guided by various principles in deciding whether and how to allocate costs to all customers. For example, and to paraphrase, these include “the Commission should allocate costs based on principles of cost causation,” and “above market costs are the cost of advancing State policy so they should be allocated to all.” Do any other principles, such as those related to supporting decarbonization or electrification, protecting ratepayers, reducing greenhouse gas emissions, or ensuring fairness, apply?
2. What principles apply to funds collected via public purpose program (PPP) surcharges?
3. Should electric generators be exempted from the allocation of costs, in line with electrification goals, their current exemption from PPP surcharges, and because the costs would be directly passed to electric customers who already pay similar costs, and/or for any other reason?

4. If the Commission allocates above market costs to all customers, are there specific methodologies for doing so other than an equal cents per therm (ECPT) basis and an equal percent change (EPC) basis? What principles would such a methodology reflect?
5. Would approaches such as only allocating costs below a certain cap be reasonable and implementable? If so, what cap should be used? Should different caps apply to different types of customers?
6. If the Commission allocates costs to non-core customers, should it consider approaches to mitigate impacts on individual energy-intensive, trade-exposed (EITE) customers?
7. Multiple parties' responses to Scoping Question 1 regarding quantification of above market costs state that the commodity cost of fossil gas should be deducted as part of defining above market costs. Benchmarks including citygate price were suggested. However, the citygate price of natural gas changes over time. How should this be incorporated? How often should the citygate price or other benchmark for commodity cost be updated for the purposes of quantifying and allocating above market costs? Include in your response any specific information sources you recommend using.

**3. Supplemental Questions Regarding Non-Core Surcharges and other Allocation Issues**

Responses to the questions in this section are only required from the Gas Utilities. Other parties may also address these questions.

1. What charges, fees, surcharges or any other type of cost do the Gas Utilities impose upon non-core customers? List all charges and the relevant Commission and/or other authority for these charges. The charges should include but are not limited to fixed monthly access or reservation charges, transportation rates, and gas PPP surcharges.

2. Besides electric generators' exemption from gas PPP surcharges, are any other categories of non-core gas customers exempt from any other charges?
3. If directed to allocate costs to all customers except electricity generators, state which is simpler and provide a description of each process and any associated costs: creating a new nonbypassable charge (NBC) embedded within transportation rates, or via adding the costs to transportation rates? Is any other approach recommended?
4. If the Commission were to consider a future pathway for exempting certain industrial EITE non-core customers from some or all of costs allocated in this proceeding, what billing or rate considerations would that raise?

**IT IS RULED** that:

1. Southwest Gas Corporation, Southern California Gas Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company shall file and serve supplemental comments responding to the questions in this ruling within 30 days of the issuance of this ruling. Comments shall not exceed 20 pages in length.
2. All other parties are authorized to file and serve supplemental comments responding to this ruling within 30 days of the issuance of this ruling. Comments shall not exceed 20 pages in length.

3. All parties are authorized to file and serve supplemental reply comments not exceeding 10 pages in length within 40 days of the issuance of this ruling.

Dated February 5, 2026, at San Francisco, California.

/s/ MARIA SOTERO

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Maria Sotero  
Administrative Law Judge