

Decision **PROPOSED DECISION OF ALJ LIANG-UEJIO** (Mailed 10/27/2020)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California
Gas Company (U904G) and San Diego
Gas & Electric Company (U902G) for
Renewable Natural Gas Tariff.

Application 19-02-015

**DECISION ADOPTING VOLUNTARY PILOT RENEWABLE
NATURAL GAS TARIFF PROGRAM**

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Appendix A – Adopted Voluntary Pilot Renewable Natural Gas Tariff Program

Appendix B – Abbreviations, Acronyms, and Definitions

DECISION ADOPTING VOLUNTARY PILOT RENEWABLE NATURAL GAS TARIFF PROGRAM

Summary

This decision adopts a three-year voluntary pilot Renewable Natural Gas Tariff program for Southern California Gas Company and San Diego Gas & Electric Company (the Utilities). The Utilities are authorized to offer this program to their respective eligible core customers. This decision resolves the issues raised by parties concerning the Utilities' initial application and the contested Settlement Agreement signed by eight of the 17 parties. Even though the Settlement Agreement is not adopted, we approve a voluntary pilot program largely based on the framework and elements of the Settlement Agreement, but with limited modifications. We start with the program proposed in the Settlement Agreement because it provides a good structure and reasonably addresses numerous issues. The modifications to the Settlement Agreement align with current law, improve opportunities for program success, provide additional protections for non-participants, and promote a just and reasonable outcome.

In summary, the voluntary pilot program includes the following key policy requirements:

- Procurement Requirements: A minimum of 50 percent of the Utilities' supplies for program demand on an annual basis must be procured from in-state or out-of-state renewable natural gas sources that meet the eligibility criteria as set forth in Public Utilities Code Section 651(b)(3)(B).
- Carbon Intensity Verification: A modified version of the Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation methodology currently used for the Low Carbon Fuel Standard program shall be used to measure the

carbon intensity of the program's renewable natural gas supplies.

- Cost Recovery: All non-information technology related program costs shall be recovered from program participants. The Utilities' information technology costs shall be absorbed within the capital budgets authorized in their Test Year 2019 General Rate Cases with extended attrition years in 2022 and 2023.
- Wind Down Costs: If program continuation is not approved and the pilot is terminated at the end of the transition period, the Utilities shall not request recovery in their subsequent General Rate Cases of any wind down costs not recovered from participants. Such costs shall be recovered from the Utilities' shareholders.

The adopted voluntary pilot program is set forth in Appendix A.

Application 19-02-015 is closed.

1. Background

On February 28, 2019, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (together referred to as the Utilities or Applicants) filed Application (A.) 19-02-015 (Application).¹ The Utilities request authority to offer a voluntary Renewable Natural Gas Tariff (RNG Tariff) program for their residential, and small commercial and industrial customers to purchase renewable natural gas (RNG) that would become part of their regular fossil-based natural gas services.² RNG, also known as biomethane, is a biogas emitted from agricultural and waste products and upgraded to a quality similar to fossil natural gas. Absent capture and upgrading, biogas is released into the atmosphere with significantly more damaging greenhouse gas (GHG) impact

¹ Appendix B lists all abbreviations, acronyms, and definitions for this decision.

² Application at 1.

than carbon dioxide.³ RNG end uses include vehicle fuel, electricity generation, and utility gas services through local use or pipeline injection.⁴ The Utilities state that the voluntary RNG Tariff program is designed to provide customers an opportunity to purchase RNG and reduce methane emissions. The Utilities assert that the voluntary RNG Tariff program provides a market for RNG in non-transportation sectors and may provide stability to the RNG market by helping drive the demand for RNG, creating market forces that would increase supply and lower overall cost.⁵ The Utilities allege that providing an additional RNG market is important as the California transportation market moves closer to saturation.⁶ The Utilities state that the proposed RNG Tariff program is similar in concept to the electric Green Tariff Shared Renewables (GTSR) program.⁷

Pacific Gas and Electric Company (PG&E) and Coalition for Renewable Natural Gas (RNGC) support the Application. Other parties have concerns and/or dispute specific issues with the Utilities' proposal. Those parties are Agricultural Energy Consumers Association (AECA), Bioenergy Association of California (BAC), Public Advocate's Office of the Public Utilities Commission (Cal Advocates), Coalition of California Utility Employees (CUE), Environmental Defense Fund (EDF), Leadership Counsel for Justice and Accountability (LC), SFE Energy California, Inc. (SFE), Sierra Club (SC), Southern California Edison

³ The principal constituents of biogas are methane and carbon dioxide.

⁴ <https://www.epa.gov/lmop/renewable-natural-gas>.

⁵ Utilities' Direct Testimony, Chapter 1 (Exhibit SCG/SDGE-01) at 2-6.

⁶ Currently over 70 percent of the natural gas vehicles in California operate using RNG. (*Id.* At 4.)

⁷ D.15-01-051. For more, see GTSR program description on the Commission's web page at <https://www.cpuc.ca.gov/General.aspx?id=12181>.

Company (SCE), The Utility Reform Network (TURN), and Wild Tree Foundation (Wild Tree).

A prehearing conference was held on June 18, 2019. On August 6, 2019, the assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo) setting forth the category, issues, and schedule pursuant to Public Utilities (Pub. Util.) Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure (Rules). The Scoping Memo also directed the Utilities to serve supplemental testimony and set evidentiary hearings for November 19-20, 2019.

On September 16, 2019, the Utilities served supplemental testimony. On October 14, 2019, prepared direct testimony was served by AECA, Cal Advocates, EDF, jointly by LC and SC (LC/SC), RNGC, TURN, and Wild Tree. On October 31, 2019, rebuttal testimony was served by the Utilities, AECA, EDF, and Wild Tree.

On November 8, 2019, the Utilities filed a Joint Case Management Statement (JCMS) on their behalf along with AECA, Cal Advocates, CUE, EDF, RNG Coalition, SEF, SC/LC, TURN, and Wild Tree. The JCMS indicated that parties had engaged in informal settlement discussions and believed there was at least the potential for settlement among them.

On November 13, 2019, an Administrative Law Judge (ALJ) Ruling took the November 19-20, 2019 evidentiary hearings off calendar and suspended the schedule in order to allow additional time for parties to continue settlement discussions. On January 30, 2020, the Utilities served an update to the JCMS. The update stated that a settlement may result from negotiations, but it was unlikely that an all-party settlement on all issues would be reached.

A February 19, 2020 ALJ Ruling directed the Utilities to serve a second round of supplemental testimony to provide: (1) additional information on customer demand and (2) clarifications on cost recovery for information technology (IT) costs. The Ruling also directed parties to file an update to the JCMS that separately identified and clarified disputed issues of material fact and policy. On March 4, 2020, the Utilities served their second supplemental testimony. On March 16, 2020, Cal Advocates served rebuttal testimony in response to the Utilities' second supplemental testimony.

On March 10, 2020, the Utilities served a notice on all parties of a settlement conference. The settlement conference was held on March 17, 2020. On April 13, 2020, the Utilities filed a joint motion for approval of a Settlement Agreement on their behalf along with Cal Advocates, EDF, BAC, RNGC, AECA, and SFE (together referred to as the Settling Parties). On the same day, parties also filed an update to the JCMS. On May 13, 2020, comments on the motion to approve the Settlement Agreement were filed by TURN, CUE, LC/SC, and Wild Tree. On May 28, 2020, reply comments were filed by Cal Advocates and jointly by the Settling Parties.

An April 29, 2020 ALJ Ruling directed parties to file a final update to the JCMS by no later than June 4, 2020, in which they would state their positions on the need for evidentiary hearings. On June 4, 2020, parties filed a final update to the JCMS. All parties except Wild Tree either agreed or did not object to waiving hearings and cross-examination. Wild Tree stated its willingness to waive hearings should all other parties seek to do so, and so long as Wild Tree's

testimony was accepted into the record. On June 8, 2020, the ALJ issued a ruling receiving parties' testimony into the record.⁸

On June 10, 2020, the ALJ issued two additional rulings. One Ruling determined that an evidentiary hearing was not needed since all evidence each party proposed to admit into the record, including those of Wild Tree, were received and set the remaining proceeding schedule. The other Ruling directed parties to clarify their positions on the additionality requirement in the Settlement Agreement.⁹ On June 22, 2020, responses and comments were filed by the Settling Parties and Wild Tree. On June 29, 2020, reply comments were filed by the Settling Parties, LC/SC, and Wild Tree.

On July 9, 2020, opening briefs were filed by the Utilities, AECA, EDF, Cal Advocates, TURN, CUE, LC/SC, and Wild Tree. On July 27, 2020, reply briefs were filed by the Applicants, AECA, EDF, Cal Advocates, TURN, CUE, LC/SC, and Wild Tree. The record was submitted upon the parties' filing of reply briefs.

On August 27, 2020, the Commission issued Decision (D.) 20-08-050 extending the statutory deadline for this proceeding to December 29, 2020.

2. The Utilities' Application and Parties' Positions

2.1. The Utilities' Proposed RNG Tariff Program

Under the Utilities' proposed voluntary RNG Tariff program, residential customers would be required to commit to a minimum of one year of participation with election of a fixed dollar amount for the purchase of RNG.¹⁰

⁸ An official Exhibit Index was attached to the June 8, 2020 ALJ Ruling.

⁹ This issue is described in detail in Section 6.2.1 of this decision.

¹⁰ For example, \$10, \$20, \$30, or \$50 per month. See Utilities' Direct Testimony, Chapter 2 (Exhibit SCG/SDGE-02), Attachment B.

Non-residential customers would be required to commit to a minimum of two years of participation with election of either a fixed dollar amount or a percentage of their consumption for the purchase of RNG.¹¹ SoCalGas' Gas Acquisition Department would purchase RNG on behalf of both SoCalGas' and SDG&E's program participants procuring RNG supplies from sources within California and out-of-state. The participating customers would pay both a Commodity Charge (a fee to cover RNG procurement costs) and a Program Charge (a fee calculated to cover the program administrative and marketing costs). The program would be ongoing (*i.e.*, not a pilot), there would be no RNG procurement requirement restrictions (*e.g.*, in-state versus out-of-state), and there would be no caps on the permissible costs to acquire California RNG.

For illustrative purposes, the Utilities estimate that the RNG Commodity Charge would be \$1.51/Therm. The RNG Commodity Charge would be about four times higher than the non-RNG Commodity Charge of \$0.36/Therm under the participant's regular gas tariff.¹² The Utilities estimate that administrative and marketing costs over the first five years for the RNG Tariff program will total \$770,000 for SoCalGas and \$641,000 for SDG&E. The Utilities estimate that the Program Charge would be \$0.23/Therm for SoCalGas and \$1.42/Therm for SDG&E.¹³ Furthermore, the Utilities request authority for SoCalGas and SDG&E to each establish a new, two-way RNG Tariff balancing account with two subaccounts for SoCalGas to (1) track and recover costs from program participants for the Utilities' RNG commodity costs and (2) SoCalGas'

¹¹ For example, 25 percent, 50 percent, 75 percent, or 100 percent. (*Id*)

¹² Utilities' Direct Testimony, Chapter 3 (Exhibit SCG/SDGE-03) at 6.

¹³ Utilities' Second Supplemental Testimony (Exhibit SCG/SDGE-10), Attachment D.

administrative and marketing costs), as well as one subaccount for SDG&E (to track and recover its administrative and marketing costs).

In addition to the RNG commodity, administrative, and marketing costs, SoCalGas estimates \$785,000 of computer system programming costs to build website tools and modify its billing and customer information systems (IT costs) during the first year of implementation. SDG&E states its computer system program costs will be determined in early 2021.¹⁴ Additionally, the Utilities estimate that they will also incur approximately \$50,000 to modify the shared gas management system to support RNG procurement and reporting. SoCalGas proposes that its IT costs will be absorbed by the unused authorized capital funding in its current General Rate Case (GRC). SDG&E proposes to include a cost estimate for the IT costs in its next GRC application.¹⁵

2.2. Requested Relief

The Utilities request authorization to do the following:¹⁶

- Establish new, voluntary RNG Tariff programs for residential and core commercial/industrial customers to be sourced with RNG procured by SoCalGas's Gas Acquisition Department;
- Modify program participants' bills to charge the RNG Tariff rates for the portion of customers' elected RNG usage amounts;
- Establish new, two-way balancing accounts for the recovery of the costs of RNG and incremental administrative and marketing costs from program participants; and

¹⁴ Utilities' Direct Testimony, Chapter 2 (Exhibit SCG/SDGE-02) at 12 to 13.

¹⁵ Utilities' Second Supplemental Testimony (Exhibit SCG/SDGE-10) at 14.

¹⁶ Application at 14 and 15.

- Authorize SDG&E to update its program implementation costs via the submission of an Advice Letter (AL) in 2022.

2.3. Parties' Positions

The Application is supported by PG&E and RNGC. Those in support contend that the program will allow California's homes and businesses to play an active role in supporting the state's climate goals by enabling greater RNG market development and reducing GHG emissions.¹⁷ Other parties oppose the Application. Opponents mostly argue that the proposed RNG Tariff program would not result in RNG growth and GHG emissions reductions in California. Opponents dispute other policy and factual issues, including program duration, RNG additionality,¹⁸ compliance with Senate Bill (SB) 1440,¹⁹ compatibility with the Renewables Portfolio Standard (RPS) Program,²⁰ RNG contract duration, program verification, program costs for non-participants, wind down costs, marketing materials, program evaluation, potential permissible changes in program design, and reporting.

3. Contested Settlement Agreement

3.1. Summary of the Settlement Agreement

A Settlement Agreement was reached by eight of the 17 parties. The Settling Parties suggest the Settlement Agreement resolves all issues scoped in the proceeding with one exception. The Settlement Agreement leaves open the question of whether the Utilities may request recovery in subsequent GRCs of

¹⁷ PG&E's Response to the Application at 2.

¹⁸ "Additionality" refers to the use of a biomethane source that was not previously being captured for use as RNG.

¹⁹ As codified in Pub. Util. Code § 651.

²⁰ Pub. Util. Code § 399.11 *et seq.*

any costs not otherwise recovered from program participants during operation of the RNG Tariff Program. The Settlement Agreement includes the original terms proposed by the Utilities in the Application with three key changes: (1) program duration, (2) procurement requirements, and (3) Procurement Advisory Group (PAG).²¹ The Settling Parties set two goals for the resulting program: (1) to accelerate the use of RNG and the development of RNG supplies in California and nationally, and (2) to reduce GHG and Short-Lived Climate Pollutant (SLCP) emissions.

Program Duration: The Settlement Agreement provides that the voluntary RNG Tariff program is a three-year pilot subject to Commission review and approval for potential continuation after the third year. If program continuation is not approved, the Utilities will terminate the program within two years from the Commission decision (transition period). The Settling Parties agree that GHG emissions reductions resulting from the program would be a primary consideration of the Commission when evaluating whether the program should be continued.²²

Procurement Requirements: The Utilities originally proposed unlimited flexibility in RNG procurement from both in-state and out-of-state sources, while still requiring eligible RNG to comply with the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (Cap-and-Trade Regulation).²³ In contrast, the Settlement Agreement requires the Utilities to

²¹ Joint Motion for Approval of Settlement Agreement at 5.

²² *Id.*

²³ Assembly Bill 32 requires California to return to 1990 levels of GHG emissions by 2020. The Cap-and-Trade Program is a key element of California's climate plan. It sets a statewide limit on sources responsible for 85 percent of California's greenhouse gas emissions, and establishes a

procure at least 50 percent of RNG from in-state sources to meet the program demand, of which at least half is from sources other than landfill gas. The average cost of the in-state RNG supply portfolio is subject to a limit of 200 percent of the average cost of the total out-of-state portfolio procured to meet program demand. If there are insufficient qualifying in-state non-landfill offers, the remaining demand will be met with qualifying in-state landfill gas up to a 250 percent average cost limit. The Settlement Agreement allows the Utilities to meet program demand with out-of-state RNG supplies in the event there are no qualifying in-state landfill offers until the following solicitation.²⁴

PAG: The Settlement Agreement creates a stakeholder forum to discuss RNG procurement issues. The PAG promotes transparency, and will provide advice, recommendations, and oversight for RNG procurement. It will consist of Energy Division staff, Cal Advocates, TURN, and other non-market participants.²⁵

Clarification Regarding Additionality: In response to the ALJ's June 10, 2020 Ruling, the Settling Parties clarified that the additionality requirement for eligible RNG supplies pursuant to California Code of Regulations, Title 17 (17 CCR) Section 9582.1.1 under the Settlement Agreement applies to out-of-state sources, whereas 17 CCR Section 95852.1 applies to both

price signal needed to drive long-term investment in cleaner fuels and more efficient use of energy.

<https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/cap-and-trade-regulation>.

²⁴ *Id.* at 6 and *Id.*, Attachment A at 4.

²⁵ Participation by TURN and other non-market participants is subject to an appropriate non-disclosure agreement. (*Id.*) Commission staff may not disclose confidential items pursuant to the Pub. Util. Code.

in- and out-of-state sources. The Settling Parties state that the Utilities will contract with an independent third-party company to verify the compliance of both in- and out-of-state RNG supplies with Mandatory Reporting of Greenhouse Gas Emissions (MRR) and the Cap-and-Trade Regulation. Further, they state that the third-party company will also verify that the RNG carbon intensity information provided by the suppliers is aligned with the Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation (GREET) methodology used for the Low Carbon Fuel Standard (LCFS) program.²⁶

3.2. Contested Issues

TURN, CUE, LC/SC, and Wild Tree participated in the settlement negotiations, but oppose the outcome. They argue that the Settlement Agreement fails to resolve the key policy issues that they raised in this proceeding, including: (1) in-state RNG sources and additionality, (2) compliance with other RNG standards, (3) the merit of long-term contracts, (4) verification, (5) marketing claims, and (6) program costs. Factual disputes also remain concerning whether the program has sufficient support from the Utilities' customers to justify and successfully recover costs, and whether or not there will be any actual environmental benefits.

4. Issues Before the Commission

The main issue in this proceeding is whether the Commission should adopt a voluntary RNG Tariff program as initially proposed by the Utilities, as proposed by the Settling Parties under the Settlement Agreement, or, alternatively, adopt and authorize a modified program. We find that the latter approach is best. That approach adopts an authorized program based on the

²⁶ The Settling Parties' Joint Response to the ALJ June 10, 2020 Ruling at 2 to 3.

framework and many reasonable elements of the Settlement Agreement while resolving issues raised by non-settling parties.²⁷ It does so in a way that reflects the whole record, is consistent with law, is consistent with Commission policies, and is in the public interest.

Given the adoption of a voluntary RNG Tariff program, we also consider whether IT costs should be recovered only from RNG Tariff program participants or from all customers in current or subsequent Utilities' GRCs. Finally, we address wind down costs for any unrecovered program costs if the pilot is terminated, along with other implementation details raised in the Application.

5. Standard of Review

Rule 12.1(d) requires that the Commission will not approve any settlement, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. This decision reviews the Settlement Agreement in accordance with these three criteria, as well as with the Commission's policy for voluntary programs, for example, the GTSR program.

Current law under SB 1440²⁸ requires the Commission, in consultation with the California Air Resources Board (CARB), to consider adopting specific biomethane procurement targets or goals for each gas utility.²⁹ The Commission has not yet implemented this statutory requirement. Even though the Utilities'

²⁷ Five non-settling parties raised specific issues: CUE, TURN, LC, SC, and Wild Tree. Four parties took no position on the Settlement Agreement: PG&E, SCE, the Association of Bay Area Governments, and Seahold, LLC.

²⁸ Stats. 2018, Ch. 739, Sec. 1, codified by Pub. Util. Code §§ 650-651.

²⁹ Pub. Util. Code § 651(a).

proposed RNG Tariff program in this Application is voluntary, we consider whether the Settlement Agreement aligns with or is complementary to SB 1440. In addition, we review whether the Settlement Agreement is consistent with CARB's Cap-and-Trade Regulation.

6. Discussion

A worldwide pandemic occurred in the midst of this proceeding. We acknowledge parties' efforts in concluding settlement discussions in March and April 2020 while everyone's life was impacted from the early stay-at-home orders in many California cities. Even though an all-party settlement was not reached, and policy issues and factual disputes remain, parties were able to narrow the disputed issues and eliminate the need for evidentiary hearings. This allows the Commission to move the proceeding forward efficiently and effectively even in light of the pandemic.

We support the Utilities' concept of offering a voluntary RNG Tariff program to their residential, and small commercial and industrial customers. However, we are cautious in setting long-term program policy before the Commission determines whether or not to establish a statewide biomethane procurement requirement pursuant to SB 1440.

The Settlement Agreement reasonably limits the program to a three-year pilot with a two-year transition period if continuation of the pilot program is not approved. We find that having a pilot program in advance of the implementation of SB 1440 may have several benefits in addition to reducing GHG and SLCP emissions. For example, it may help customers gain early experience in using RNG as a part of their natural gas services, expand upon the existing RNG market in California, and provide valuable information in assisting the Commission to evaluate potential statewide biomethane targets moving

forward. On the other hand, it is important that the Utilities' voluntary programs align with or are complementary to state law as implementation proceeds, so we make limited modifications to the voluntary program proposed in the Settlement Agreement to align with state law. The RNG Tariff program must also comply with existing and future Cap-and-Trade Regulations, further GHG emissions reductions, and be fair to all of the Utilities' customers (both participants and non-participants).

6.1. The Settlement Agreement is Not Adopted

In reaching our decision, we examine the whole record, including non-settling parties' arguments against the Settlement Agreement and the Settling Parties' counter-arguments. We agree with the non-settling parties that the Settlement Agreement does not fully align with SB 1440 and could potentially result in a situation in which 100 percent of RNG supplies comes from outside of California and provides limited or no environmental benefits in California, thereby failing the "consistent with law" and the "public interest" tests we use in reviewing settlement agreements. We could, as a result, simply reject the Settlement Agreement and close the proceeding.

We find, however, that a better approach is to adopt an alternative program that is built on the Settlement Agreement, but with necessary modifications, relying on the comprehensive record that was established through testimony and filings. We start with the RNG Tariff program in the Settlement Agreement because it provides a good framework and reasonably addresses numerous issues. These issues include key definitions, general procurement guidelines, establishment of a PAG, subscription parameters (*e.g.*, fixed or percentage-based customer billing), minimum commitment periods (one year residential, two year commercial/industrial), establishment of a balancing

account, reporting requirements, and a limitation of the program to a three-year pilot with a possible extension. We adjust the program to include procurement requirements that are more in line with SB 1440 and the Cap-and-Trade Regulation; a methodology to measure RNG carbon intensity based on the GREET model; reasonable cost recovery (*i.e.*, consistent with general Commission ratemaking policy relative to participants and non-participants); limiting recovery of wind down costs to the program duration; and guidance on program marketing, evaluation, design changes, and reporting.

We believe that this approach strikes the right balance to enable program success, facilitate consistency with the state's RNG policy goals, align with the Commission's ratemaking practices, and permit data collection that we believe will help with the Commission's implementation of SB 1440. The adopted program is also based on the full record and addresses non-settling parties' concerns. The policy requirements and modifications to the Settlement Agreement are discussed as follows.

6.2. Procurement Requirements

6.2.1. Eligibility and Additionality

In this decision, we require that at least 50 percent of the RNG sources eligible to meet the demand of this program must be procured from in-state or out-of-state sources that are delivered to California consistent with the eligibility criteria as set forth in Pub. Util. Code Section 651(b)(3)(B).³⁰ In short, those criteria require that the source of the RNG be physically connected to California by pipeline, and that there are direct environmental benefits for California. Moreover, no RNG sources outside of the United States that have not already

³⁰ Enacted by SB 1440.

been delivering RNG through a common carrier pipeline in the United States will be allowed to participate in this pilot program. This will promote the desirable goal of increasing in-state and national development of RNG.

In addition, while we agree with the non-settling parties that a requirement of 100 percent in-state new and incremental RNG sources for the voluntary pilot program would accelerate the state's RNG market developments, we must take into consideration both state law and current in-state RNG development and supplies. We agree with the Settling Parties that neither SB 1440 nor the Cap-and-Trade Regulation require additionality for in-state RNG sources.³¹ That is, in-state RNG can be supplied from a source that is already capturing RNG. CARB's Cap-and-Trade Regulation includes additionality requirements only for RNG supplies generated out-of-state. In this decision, we do not impose an additionality requirement for in-state RNG beyond CARB's current Cap-and-Trade Regulation.

6.2.1.1. Eligibility

One common argument among the non-settling parties is whether the proposed program under the Settlement Agreement would provide direct environmental benefits to California. The Settlement Agreement allows the Utilities to fulfill program demand with out-of-state RNG supplies if in-state RNG costs exceed the set limits. For example, Wild Tree is concerned that there is little chance that the Utilities will be able to procure RNG for pipeline injection in California under the cost limit in the Settlement Agreement, and thus would

³¹ Pub. Util. Code § 651. Also, 17 CRR § 95852.1.1(a)(2)(A) & (B).

result most likely in 100 percent of RNG procurement being from of out-of-state.³²

The non-settling parties' concerns regarding potential lack of in-state RNG supplies are valid. SB 1440 requires the Commission to ensure that biomethane delivered from out-of-state to California through a common carrier pipeline eligible for any procurement program must demonstrate environmental benefits to California. Pub. Util. Code Section 651(b)(3)(B) states:

The biomethane is delivered to California through a common carrier pipeline and meets both of the following requirements:

- (i) The source of biomethane injects the biomethane into a common carrier pipeline that physically flows within California, or toward the end user in California for which the biomethane was produced.
- (ii) The seller or purchaser of the biomethane demonstrates that the capture or production of biomethane directly results in at least one of the following environmental benefits to California:
 - (I) The reduction or avoidance of the emission of any criteria air pollutant, toxic air contaminant, or greenhouse gas in California.
 - (II) The reduction or avoidance of pollutants that could have an adverse impact on waters of the state.
 - (III) The alleviation of a local nuisance within California that is associated with the emission of odors.

The intent of this statutory requirement is to ensure that eligible RNG sources provide direct state and local environmental benefits. The Settlement Agreement could allow the Utilities to meet the program demand with more

³² Wild Tree's Comments on the Settlement Agreement at 10.

than 50 percent of out-of-state RNG sources if in-state supply costs exceed the proposed cost cap. In addition, the Settlement Agreement does not specify whether out-of-state RNG sources will be physically delivered to California.

We agree with TURN and LC/SC that the Settlement Agreement permits the Utilities to purchase renewable attributes separate from physical RNG, similar to the purpose of unbundled Renewable Energy Credits in the RPS program. We are concerned that this essentially allows sellers to “swap” RNG at the production facilities with fossil natural gas flowing into California rather than requiring that the RNG be injected into a common carrier pipeline physically flowing to end use customers.³³ This would result in negligible to no direct environmental benefits to California, contradictory to the statutory and policy goals.

Even though the program is only a pilot, it is appropriate that the program aligns with, or is complementary to, established statutory objectives. In addition, the prospect of 100 percent out-of-state procurement does not support the Settling Parties’ own goal of accelerating the development of RNG supplies in California. Therefore, we require at least 50 percent of the procured RNG be from California sources or – if from out-of-state – provide direct and measurable environmental benefits to California, as explained below.

We recognize that the pilot program, if implemented, will be new. We understand that the proposed in-state cost cap would operate to mitigate against excessive prices since in-state RNG prices may be significantly higher than the

³³ TURN’s Opening Brief at 10. LC/SC’s Reply Brief at 2 to 3.

out-of-state RNG prices.³⁴ With this in mind, we therefore determine that it is reasonable to set a procurement requirement that at least 50 percent of the RNG eligible sources must meet the eligibility criteria under Pub. Util. Code Section 651(b)(3)(B), instead of a requirement of full compliance with all provisions introduced by SB 1440. This will provide the right balance between SB 1440 alignment and reducing RNG costs. We also require that no RNG sources outside of the United States that have not already been delivering RNG through a common carrier pipeline in the United States will be allowed. This is consistent with Settlement Agreement's goal, with which we agree, to accelerate RNG development nationally.

6.2.1.2. Additionality

Another issue raised by the non-settling parties is that the proposed program under the Settlement Agreement does not ensure additional GHG or SLCP emissions reductions in California. They argue that the Settlement Agreement does not comply with the additionality requirement for biomethane used to generate electricity under the RPS program pursuant to Pub. Util. Code Section 399.12.6, nor does it comply with other California laws governing biomethane, such as SB 1440.³⁵ TURN and LC/SC argue that the Cap-and-Trade

³⁴ In the initially proposed program as part of the Application, the Utilities request full flexibility in RNG procurement in order to optimize the cost-effectiveness and diversity of RNG sources from within California and out-of-state. (Utilities' Direct Testimony, Chapter 3 (Exhibit SCG/SDG&E-03) at 3.)

³⁵ LC/SC's Comments on the Settlement Agreement at 2 and 6. TURN's Comments on the Settling Parties at 6.

Regulation requirements are not sufficient to demonstrate additionality of supply.³⁶

We agree with the non-settling parties that it is desirable to have a consistent policy on additionality requirements for the biomethane procurement for all RPS and RNG programs. However, as TURN points out, SB 1440 requirements, current Cap-and-Trade Regulation requirements, and RPS statutory requirements have different RNG eligibility standards. SB 1440 and the Cap-and-Trade Regulation do not have an additionality requirement for in-state resources, whereas the RPS program and the GTSR program do. TURN is concerned that the scope of the proceeding related to SB 1440 (Phase 4 of Rulemaking (R.) 13-02-008) does not include policy guidance for a voluntary RNG Tariff program, nor does the Settlement Agreement provide a roadmap for consideration of different eligibility standards.³⁷ TURN urges the Commission to address the issue here.

We give this issue serious consideration but decline to set the additionality requirement for in-state RNG supplies as proposed by the non-settling parties because it is not required by either SB 1440 or the Cap-and-Trade Regulation. We will not force a uniform additionality requirement between the RPS and RNG programs given different underlying legislation, different current implementation, and the need for a better understanding of the advantages and disadvantages of a uniform requirement.

³⁶ TURN's Comments on the Settlement Agreement at 7. LC/SC's Comments on the Settlement Agreement at 6-7.

³⁷ TURN's Reply Brief at 4.

In addition, it is important to fully utilize existing in-state RNG supplies. At the time the Application was filed, there were only three in-state pipeline-injected RNG producers in operation.³⁸ Today, there are nine production facilities in operation, four under construction, and 14 in substantial development.³⁹ There are more in-state RNG supplies than the Utilities originally projected. We should ensure that RNG procured from newly operational and soon-to-be operational RNG production facilities will be fully utilized and not abandoned. When landfill gas is injected into the utility gas pipeline system, it results in carbon dioxide emissions only from the end-use customer's use of that RNG, thus providing two benefits: (1) eliminating the carbon dioxide emissions associated with flaring while (2) displacing the fossil gas that would otherwise result in carbon dioxide emissions from the end-use customer's use (i.e., reducing two sources of GHG emissions to one).⁴⁰

6.2.2. Long-Term Contracts

This decision does not impose a procurement requirement for long-term contacts (*i.e.*, longer than the pilot program duration⁴¹), as requested by non-settling parties. In support of longer contracts they argue that, if the pilot is not extended, these contracts could be used as a backstop for meeting the Utilities' future RNG obligations when SB 1440 is implemented. However, procurement obligations with contract durations longer than the pilot program

³⁸ Utilities' Rebuttal Testimony, Chapter 8 (Exhibit SCG/SDGE-08) at 5.

³⁹ <http://www.rngcoalition.com/rng-production-facilities> (Exhibit SCG/SDGE-08 at 8).

⁴⁰ Including in-state landfill gas as an RNG source not only reduces GHG emissions, but other contaminants in landfill gas that are emitted when flaring occurs are also removed in the RNG production process. (<https://www.epa.gov/lmop/renewable-natural-gas>)

⁴¹ The pilot program duration may slightly exceed five years (three-year pilot, the program review period, plus two-year transition).

duration may increase the wind down costs because, for the reasons explained below, we decline to allow the wind down costs for the RNG Tariff program to be passed on to the Utilities' customers. We find that these costs are the Utilities' shareholders' responsibility. Therefore, the contract term should be at the Utilities' discretion. We reach this conclusion as follows.

TURN and CUE argue that the development of new production capacity requires long-term offtake commitments to attract financing for project development. They allege that long-term contracts not only are required for the RPS program under Pub. Util. Code Section 399.11, but also are a key to true additionality and meeting SB 1440 obligations. TURN and CUE contend that the Settlement Agreement does not include any provisions for long-term contracts.⁴²

The Utilities respond that they generally support the concept of long-term contracts. However, they allege that the pilot nature makes long-term contracts a challenge. In addition, the Utilities argue that until the Commission adopts an RNG standard, suppliers would likely be reluctant to enter into contracts that are dependent on uncertain Commission action. They assert that such a requirement would put the pilot program in limbo.⁴³

We agree with the non-settling parties that short-term RNG contracts with a duration less than the pilot period may not offer the same opportunities for investment and development of additional RNG facilities that long-term contracts provide.⁴⁴ However, we disagree that the Utilities should be required

⁴² TURN's Opening Brief at 5 to 8. CUE's Opening Brief at 4.

⁴³ Utilities' Reply Brief at 6 to 7.

⁴⁴ TURN's Opening Brief at 5 to 9. CUE's Opening Brief at 4. LC/SC's Opening Comments at 9. Wild Tree's Opening Brief at 6.

to enter into long-term contracts for the voluntary pilot program. We agree with the Utilities that such a requirement may reduce opportunities for the program's success. We clarify that, while the adopted pilot program does not require long-term contracts, the Utilities are not prohibited from entering into long-term RNG contracts. Rather, the contract term should be left to the Utilities' business decision. However, the Utilities shall be mindful that if the pilot program is terminated, any stranded costs of RNG procured under long-term contracts that cannot be recovered from the pilot program participants shall not be passed onto customers. These costs should be the Utilities' shareholders' responsibility unless a subsequent Commission decision expressly authorizes cost recovery from customers. "Stranded procurement costs" are any excess costs incurred for gas procured (beyond the pilot program duration) because it is RNG, rather than regular fossil-based natural gas, and could also include costs of excess RNG during the pilot duration that exceeds amounts needed for participants. Likewise, these costs are the Utilities' shareholders' responsibility unless a subsequent Commission decision expressly authorizes cost recovery from customers.

However, we recognize that long-term contracts could be beneficial for the voluntary pilot program. Accordingly, we will provide more time for the Utilities to decide whether to implement the RNG Tariff program, and to submit the program implementation details. Each of the Utilities shall submit and serve a Tier 1 AL indicating whether they will implement the tariff within six months of the date of this decision, and submit the program implementation advice letters, if applicable, within 12 months of submittal of the first advice letter. This additional time allows the Utilities to evaluate whether there are opportunities

for long-term contracting for the pilot program in conjunction with any procurement that might be authorized in the proceeding implementing SB 1440. It also provides more time for establishment of new biomethane production facilities before biomethane supplies are needed for RNG Tariff program participants.

6.3. Verification

In this decision, we find that developing a modified methodology based on the GREET model used for the LCFS program is a reasonable approach to calculate carbon intensity of eligible RNG sources. We also find that using a third-party to verify the compliance of the purchased RNG supplies with Pub. Util. Code Section 651(b)(3)(B) and out-of-state RNG supplies with MRR and California's Cap-and-Trade Regulation is reasonable. Our reasoning is as follows.

Wild Tree raises concerns that use of the GREET methodology for the LCFS program to measure carbon intensity for pipeline injected RNG is inappropriate because its baseline calculation uses current transportation fuel regulations for vehicle GHG emissions. Wild Tree argues that the GREET methodology does not have an equivalent baseline metric for pipeline RNG end uses by commercial and residential customers.⁴⁵

We agree with Wild Tree that the GREET methodology is not designed to measure carbon intensity of pipeline injected RNG. However, we believe that the GREET methodology can be modified for the purpose of the RNG pilot program, which should include a carbon intensity baseline focused on fossil natural gas for specific RNG sources. It should also include the energy inputs

⁴⁵ Wild Tree's Opening Brief at 12.

required for upgrading biogas for pipeline injection. We are unable to adopt a specific methodology here, however, due to the lack of record on necessary GREET methodology modifications. Rather, we direct the Utilities to work with stakeholders, including the Commission's Energy Division staff, CARB, and parties in this proceeding, to develop a modified GREET methodology to calculate RNG carbon intensity.

Wild Tree further argues that there is currently no reliable, independent, third party-administered verification system. Wild Tree asserts that the Utilities do not indicate that they will use the Midwest Renewable Energy Tracking System(M-RETS), and the certification aligned with that system soon to be offered by Green-E.⁴⁶ Wild Tree argues, however, that even if the Utilities use M-RETS, California does not participate in this system for compliance markets and it will therefore neither determine compliance nor verification for the voluntary RNG Tariff program. Wild Tree is skeptical whether the Green-E system can provide credible tracking and Green-E's developer, the Center for Resource Solutions, can provide independent verification because the Utilities are the members and sponsors of this organization's Green-E Renewable Fuel working group.⁴⁷

In response, the Utilities argue that the Settlement Agreement includes several mechanisms to ensure that the procured RNG is appropriately verified. The Utilities assert that these include using a CARB-approved verifier, PAG

⁴⁶ Green-E is a clean energy certification program of the nonprofit Center for Resource Solutions.

⁴⁷ *Id.* at 20 to 21.

review, contractual obligations, and built-in provisions allowing for evolving verification procedures.⁴⁸

We agree with the Utilities that the multiple verification options identified in the Settlement Agreement are reasonable, with some additions. Moreover, verification of the compliance of out-of-State RNG supplies with CARB's MRR and Cap-and-Trade Regulation is required by 17 CCR Section 95852.1.1. We share Wild Tree's concern, however, with respect to the lack of verification for in-state RNG supplies because that verification is not required under Pub. Util. Code Section 651(b)(3)(B) and 17 CCR Section 95852.2. We resolve this issue in the following way. Given the pilot nature of this program, the Utilities, in consultation with the PAG, should also use a third-party verifier for compliance review and verification of the minimum 50 percent of RNG supplies that must meet the criteria set forth in Pub. Util. Code Section 651(b)(3)(B). An eligible RNG source is required to demonstrate compliance with Pub. Util. Code Section 651(b)(3)(B)(i) and one of the listed impacts under Pub. Util. Code Section 651(b)(3)(B)(ii). In addition, a third-party verifier must confirm that volumes of RNG procured to meet program demand were delivered by contracted facilities and the environmental attributes of the RNG were not sold, transferred, claimed, or used by the generating facility or other entity. The Utilities shall submit and serve annual Tier 2 ALs to report to the Commission the third-party verification results within 45 days of each one-year anniversary from the program initiation date during the program duration. The PAG should monitor the compliance status and make appropriate recommendations. The Utilities should report the status of the implementation of the PAG's

⁴⁸ Utilities' Reply Brief at 10 and 11.

recommendations. The PAG is opened to interested non-market participants, and we encourage Wild Tree to join PAG or participate in PAG meetings.

6.4. Program Costs and Recovery

6.4.1. IT Cost Recovery

In this decision, we determine that the Utilities should use the unspent capital budgets authorized for their extended Test Year 2019 GRC cycles rather than seek recovery in future GRCs. We reach this conclusion as follows.

In the Application, SoCalGas requests funding for \$785,000 of its estimated IT costs via the unused capital budget from its Test Year 2019 GRC cycle. SDG&E requests authority to include its IT costs in its next GRC. Even though the voluntary RNG Tariff program does not have a statutory requirement of non-participant indifference similar to the electric utilities' GTSR program, from the fairness to non-participant perspective, the Commission should consider a consistent policy for all voluntary program cost recovery. For example, the electric utilities' GTSR program costs are recovered only from participating customers. The same ratemaking principle could, and generally should, be applied here, absent reasons otherwise.

In this decision we determine that there are sufficient reasons to deviate from the above principle, and that it is reasonable to allow SoCalGas to use its existing capital budget adopted in its current GRC for the IT-related costs. Since that budget was already authorized, this will have no impact on SoCalGas customers' rates, and will not be a burden on non-participants.

SDG&E's IT costs have not yet been determined and SDG&E proposes to request funding in its next GRC. However, if these costs are recovered only from program participants, the increased program costs would substantially increase the RNG Tariff rate and thereby potentially decrease demand and greatly reduce

the potential of achieving the program's worthwhile goals. As discussed earlier, SDG&E estimates that its RNG rate (Commodity Charge of \$1.51/Therm plus Program Charge of \$1.42/Therm) excluding IT costs, would be \$2.93/Therm, about eight times higher than the \$.036/Therm of gas commodity charge that its non-RNG customers pay. In comparison, SoCalGas' RNG rate (also excluding IT costs) is expected to be \$1.74/Therm (Commodity Charge of \$1.51/Therm plus Program Charge of \$0.23/Therm). This is largely due to the fact that SDG&E's program costs are fixed, but its customer base is much smaller comparing to SoCalGas.⁴⁹ Adding IT costs to SDG&E's Program Charge would significantly increase its RNG rate even above its already high level. Therefore, we will consider an alternative that is parallel to that we adopt for SoCalGas.

SDG&E's current GRC cycle is 2019-2021. After the filing of this Application, the Commission issued D.20-01-002 in R.13-11-006 (the Rate Case Plan Decision), which changes SDG&E's GRC process and schedule. D.20-01-002 extends SDG&E's Test Year 2019 GRC cycle by two additional Attrition Years (2022 and 2023) and permits SDG&E to update its overall capital budget estimates and include proposed escalation factors for 2022 and 2023. This allows SDG&E to adjust its IT budget to absorb the voluntary RNG Tariff program IT costs. Any impact on rates from these costs should be minimal because the IT costs are not a separate item in the overall capital budget. If the IT costs turn out to exceed what is authorized as part of SDG&E's capital budget, those excess costs must be borne by SDG&E's shareholders. This treatment is therefore consistent for both Utilities.

⁴⁹ SDG&E estimates 2,178 to 8,702 RNG program participants in Year 5 and SoCalGas' estimate is 14,435 to 57,696 (Utilities' Second Supplemental Testimony, Exhibit SCG/SDGE-10, Attachment D).

We clarify that any unamortized IT asset balances associated with the RNG Tariff program shall not be included in the incremental rate base in the Utilities' next GRC, and the costs shall continue to be absorbed by any unused capital funding in their next GRC cycles. This is to ensure that the recovery of IT costs does not increase the Utilities' customers' rates.

6.4.2. Wind Down Cost Recovery

This decision determines that the Utilities shall not request recovery in their subsequent GRCs of any wind down costs not recovered from participants during the course of the pilot. Such costs shall be recovered from the Utilities' shareholders.

The Settlement Agreement leaves open whether any costs not recovered from program participants during the program ("wind down costs") should be recovered from the Utilities' shareholders in the event that the program is terminated at the end of the transition period. The Utilities request authority to seek recovery of the wind down costs in future GRCs. The Utilities argue that uncertainties of future events that are beyond their control (*e.g.*, changes in laws, regulations, or Commission policy) may require the program to be wound down. As such, the Utilities state that the opportunity for future recovery of the wind down costs should not be predetermined. The Utilities further argue that the program will not only provide public interest value, but also important and useful information on RNG and the merits of a voluntary RNG Tariff program.⁵⁰

Cal Advocates, TURN, LC/SC, and Wild Tree oppose the Utilities' proposal and argue that the Commission in this proceeding should determine that wind down costs are the responsibility of the Utilities' shareholders (called

⁵⁰ Utilities' Opening Brief at 41 to 43.

“shareholder backstop”). Cal Advocates argues that the RNG Tariff program as a voluntary program is intended to be funded by participating customers who opt-in. Cal Advocates asserts that it is the Utilities’ business decision whether or not to offer this program to its customers. Cal Advocates argues that the Utilities should assume the risk that program benefits may not materialize and that the program may result in stranded costs due to its voluntary nature. Cal Advocates believes that holding the Utilities’ shareholders responsible for stranded costs will reduce the risk of stranded costs and protect non-program participants from unreasonable exposure. Cal Advocates also believes that shareholder responsibility for stranded costs will reduce future litigation over the reasonableness and recovery of the wind down costs.

TURN also supports the shareholder backstop. TURN alleges that this treatment is consistent with D.15-01-051, which implemented the GTSR program.⁵¹ TURN cites the GTSR decision where the Commission explained that:

The requirement of ratepayer indifference, and other rate design principles, support the shareholder backstop. Without the backstop, the utilities would likely rely entirely on ratepayers as a whole to make up the difference. By establishing the rules of the backstop now, future litigation and the risk of non-participating ratepayers incurring costs are minimized. The shareholder backstop approach is supported by TURN and [Cal Advocates]. We agree with TURN, [Cal Advocates], and PG&E that a shareholder backstop will promote cost-effective management of the GTSR Program.

⁵¹ TURN’s Opening Brief at 19. D.15-01-051 implemented SB 43 (Stats. 2013, Ch. 413 (Wolk)). SB 43 sets a formal requirement for the three large electrical utilities to implement the GTSR program.

LC/SC point out that SCE's GTSR unrecovered program costs have an outstanding balance of \$955,573. LC/SC argue that there is no compelling basis to conclude that the minimal participation that undermined SCE's GTSR program would not extend to the voluntary RNG Tariff program. LC/SC also argue that it is the Utilities' business decision to offer this program and that they should stand by their own assumptions of substantial participation and therefore provide the shareholder backstop.⁵²

Wild Tree is concerned that the Settlement Agreement leaves open the possibility of subsidizing a failed program. Wild Tree argues that the Utilities intend ratepayers to be on the hook for the stranded costs that will inevitably result from what Wild Tree believes will be a failed voluntary RNG Tariff pilot program.

We find parties' arguments for a shareholder backstop compelling. We agree with TURN that this treatment is consistent with the principles for the shareholder backstop policy adopted for the GTSR program in D.15-01-051. In addition, the Utilities' may or may not elect to offer the pilot program adopted in this decision and each customer's participation is voluntary. The Utilities testified in support of their assumption that there is sufficient customer interest in an RNG Tariff program based on their 2017-2019 market research and analysis to make the program self-sustaining without subsidy by non-participants.⁵³ In the event there are costs not recovered from participants, the shareholder backstop will provide an incentive for the Utilities to make thoughtful decisions taking into account new program uncertainties and risks in light of the recent

⁵² LC/SC's Opening Brief at 17.

⁵³ Utilities' Second Supplemental Testimony (Exhibit SCG/SDGE-10, Attachment B).

pandemic and California's wildfires. We agree with LC/SC that the Utilities should stand by their assumptions if they offer the voluntary RNG Tariff program.

As discussed above, if the Utilities enter into long-term RNG contracts and program continuation is not authorized, the shareholder backstop should also apply to the stranded procurement costs from RNG long-term contract obligations.

We clarify that the shareholder backstop is applicable if program continuation is not authorized and the program is terminated at the end of transition period. The Utilities raise a valid point that there are other uncertainties beyond the Utilities' control, such as changes in state laws and regulations. The Utilities should be permitted to seek recovery of the wind down costs in the event that the program termination is required prior to the end of the transition period by a future state law, regulation, or Commission decision. This exception only applies to the pilot program duration of all long-term RNG contracts.

6.5. California Alternate Rates for Energy

This decision clarifies that California Alternate Rates for Energy (CARE) customers should follow the same commitment requirement for participation in the voluntary RNG Tariff program as non-CARE residential customers.

The Settlement Agreement is silent on whether the same commitment requirement applies to CARE customers. Because this is a voluntary program, we find that, for the purpose of program consistency and administrative simplicity, all residential customers (CARE and non-CARE) should follow the same commitment requirement.

6.6. Program Marketing

This decision requires the Utilities, when developing education and outreach information, to adhere to the following guidelines:

- The Utilities' marketing materials should make no comparisons to, or assertions about, building electrification and should not include any statements that promote RNG over building electrification. The marketing materials should not include any statements about the costs, impacts, or desirability of building electrification.
- The Utilities should not portray RNG procurement as a solution to local environmental impacts of dairies or other biomethane sources. The Utilities' marketing materials should disclose that capturing biogas from dairies to produce RNG reduces GHG emissions, but does not mitigate all water, air, and odor pollution from dairies that impacts local communities.
- The Utilities' marketing materials should disclose that using RNG in gas appliances does not reduce indoor pollution, as compared to using regular fossil-based natural gas.
- The Utilities' marketing materials should disclose that procuring RNG for the pilot program reduces the Utilities' GHG reduction obligations under CARB's Cap-and-Trade Regulation. The resulting cost savings will be credited to the RNG Tariff program customers.
- The Utilities should include proposed marketing and outreach materials in an AL for Commission review and approval before any marketing/outreach or implementation of the pilot program. This is to ensure compliance with the above provisions and that there are no incorrect, incomplete, misleading, or confusing claims.

We adopt these requirements based on issues raised by parties. For example, LC/SC and Wild Tree assert that the marketing claims under the Settlement Agreement are inaccurate or misleading. LC/SC are concerned that

the Utilities have portrayed biomethane from dairy manure lagoons as “a clean source of energy,” akin to wind and solar. They assert that RNG should not be compared with building electrification using true clean energy. We agree that, while RNG is expected to reduce GHG emissions as part of the state’s decarbonization efforts, it is not a replacement for, or comparable to, building electrification. The optimal use of RNG vis-à-vis other decarbonization methods is a complicated and evolving issue, and should not be addressed in the marketing materials for the voluntary RNG Tariff program.

We also recognize, as noted by LC/SC, that there are risks that customers will misunderstand the scope of the environmental benefits of participating in the RNG Tariff program.⁵⁴ We find it is appropriate to include certain disclosures in the marketing materials to address this.

First, we find that there is a risk that customers will misunderstand the term “renewable natural gas” and wrongly assume that it will result in cleaner air in their home and has health benefits for their family. As noted by LC/SC, combustion of RNG or regular fossil-based natural gas emits the same pollutants into the surrounding air, and has the same impact on air quality in a building.⁵⁵ Accordingly, we find that the marketing materials must include the following statement to avoid such misunderstanding:

Using renewable natural gas in appliances indoors does not reduce air pollutants in buildings, as compared with using traditional fossil-based natural gas.

⁵⁴ LC/SC’s Opening Comments on Proposed Decision at 8 to 10. Also see LC/SC’s Direct Testimony (Exhibit LC/SC-01) at 34.

⁵⁵ LC/SC’s Reply Comments on Proposed Decision at 3-4. Also See CARB, Resolution 20-32, adopted on November 19, 2020 [discussing indoor air pollution from gas appliances](https://ww3.arb.ca.gov/board/res/2020/res20-32.pdf).

(<https://ww3.arb.ca.gov/board/res/2020/res20-32.pdf>)

Second, we find that it is important to prevent misunderstanding about the local environmental impact of dairies that are a potential source of RNG for the RNG Tariff program. Information provided by LC/SC clearly establishes that many communities in the vicinity of dairies are already disproportionately burdened by environmental pollution, and community members feel strongly that developing RNG at dairies will perpetuate their adverse environmental impacts on the local community, may allow dairies to continue causing pollution (other than GHG emissions) and may facilitate expansion of dairies, even increasing the local environmental burdens.⁵⁶ While we hope that operational changes implemented for biomethane production may, in some instances, reduce local pollution, this is not required under the RNG Tariff program, nor is there any requirement to monitor or measure such impacts.

Water pollution, criteria air pollutant emissions, and odors caused by dairies are more directly within the jurisdiction of other regulatory agencies. Nonetheless, the Commission is concerned about local environmental impacts from dairies and understands the view of the community members. We will not exclude dairies from the RNG Tariff program because it would be counter to the extensive efforts underway by the Commission in other proceedings, and pursuant to legislative direction, to increase the capture of biogas at dairies and other facilities for production of RNG, to reduce methane emissions in the state and offset the use of fossil-derived natural gas.⁵⁷ We will, however, address the local environmental impact issue in the following way.

⁵⁶ LC/SC's Opening Comments on Proposed Decision at 8 to 9.

⁵⁷ See D.17-12-004 (dairy pilot program) and D.15-06-029; D.16-12-043; and D.19-12-009 (biomethane interconnection incentive program).

To alert potential customers to this issue, and ensure that there is no misunderstanding about the fact that the RNG Tariff program is not a solution to the issue of environmental impacts of dairies on local communities, we require the following disclosure in the Utilities' marketing materials:

Capturing biogas from dairies to produce renewable natural gas reduces greenhouse gas emissions, but does not mitigate all water, air, and odor pollution from dairies that impacts local communities.

In addition, we will monitor the status of in-state dairies' compliance with laws and regulations to evaluate whether RNG supplies for the pilot program are provided by dairy facilities that fully comply with federal, state, and local laws, regulations and/or orders that establish air and/or water pollution control standards or requirements.⁵⁸ To do this, we require, as a part of the Utilities' reporting requirement discussed later in this decision, that the Utilities collect information on whether dairies under RNG contracts for this pilot program are in compliance with all applicable air and/or water pollution control standards or requirements, describe any incidents of noncompliance, and explain when and how it was or will be resolved. The Utilities shall submit and serve a Tier 1 AL at the same time as SoCalGas submits its last Quarterly Commission Report each year⁵⁹ to report that information to the Commission. The Utilities' reporting of

⁵⁸ These requirements are modeled on the measures adopted by the Commission for Bioenergy Renewable Auction Mechanism Program procurement in D. 18-12-003 and Resolution E-4977 (January 31, 2019 at 15 to 16), to monitor whether facilities providing sustainable forestry feedstock for electricity generation complied with air pollution control requirements.

⁵⁹ As discussed earlier, SoCalGas' Gas Acquisition Department would purchase RNG on behalf of both SoCalGas' and SDG&E's program participants procuring RNG supplies from sources within California and out-of-state.

dairy RNG suppliers' compliance with air and water pollution control standards or requirements shall continue until the program termination date.

To enable this reporting, the Utilities shall include the following requirements in RNG contracts with in-state dairies:

- a. The seller of RNG from a dairy shall provide the Utility (buyer) with an annual report indicating whether the dairy was in compliance with all applicable air and water pollution control standards or requirements for the preceding 12 months, with the report due no later than 30 days after the end of the 12th month;
- b. Seller shall describe any incident of noncompliance with an applicable air or water pollution control requirement, including the dates and cause of the incident; and
- c. Seller must explain the circumstances of any noncompliance, the steps taken by the seller to rectify the noncompliance, and if the noncompliance is ongoing, the expected resolution.
- d. Seller's contractual reporting requirement shall be accelerated as necessary, even if it covers less than a year, so that compliance information during the third year of the pilot program is available to include in the Utilities' Tier 3 ALs that seek continuation of the RNG Tariff program.

Finally, while the pilot program is expected to provide the environmental benefits that we discuss earlier, parties remind us in their comments on the proposed decision that GHG emissions from the combustion of RNG delivered to customers are exempt from CARB's Cap-and-Trade Regulation - Compliance Obligations for Biomass-Derived Fuels.⁶⁰ We find that it is important for the public to understand the impact from this regulatory requirement. Therefore, we require the following disclosure in Utilities' marketing materials:

⁶⁰ 17 CCR § 95852.1.

Purchasing renewable natural gas (RNG) for the voluntary pilot RNG Tariff program reduces the Utilities' greenhouse gas reduction obligations under the California Air Resources Board's Cap-and-Trade Regulation. The resulting cost savings will be credited to the RNG Tariff program customers.

6.7. Program Evaluation and Modifications

6.7.1. Program Success Metrics

This decision finds that, in addition to measuring GHG emissions reductions to evaluate the success of the voluntary pilot RNG Tariff program, the Commission should consider other metrics, including level of participation, procurement costs, and the ratio of in- and out-of-state RNG supplies. The evaluation shall also consider the information provided in the Utilities' annual advice letters regarding any noncompliance or deviation from applicable air and/or water pollution control requirements at dairies providing RNG for the RNG Tariff program. We believe that these metrics are important to assist in the Commission's determination of program success and the decision whether the pilot program should be extended. These additional metrics shall be included in each utility's Tier 3 AL requesting program continuation at the end of the pilot period.

In addition, limited information should be provided to the Commission quarterly and the public annually. We adopt the reporting requirements in Appendix A of this decision to achieve this objective. An important consideration, as discussed above, is the localized environmental impact from dairies. We also require the Utilities to report to the Commission on whether in-state dairies are in compliance with laws and regulations regarding air and water pollution control.

**6.7.2. Program Design Changes
and Other Modifications**

Should customer research or feedback identify demand for additional subscription levels or different subscription amounts, we find that the Utilities should be able to modify the subscription levels without Commission approval. We do this to provide reasonable flexibility while requiring the Utilities to be responsible for important elements of program management and success. However, customers' monthly purchase amounts cannot be automatically switched to a higher level without their prior consent. If the Utilities wish to make other program changes, the Utilities shall submit and serve a Tier 3 AL. Any program changes must comply with the policy requirements adopted in this decision or found to apply at the time the request is considered.

**6.7.3. Public Disclosure of RNG Procurement
Contract Prices**

In this decision, we require the Utilities to include individual suppliers' RNG contract prices as a part of the information for the costs of RNG purchased in the Utilities' Annual Reports. The information should include the name, location, and feedstock source of each RNG supplier.

The Commission treats all information it receives as public unless a very persuasive showing is made that the information must be withheld from the public. The party seeking confidential treatment bears a strong burden of proof. In short, we have described it this way:

We start with a presumption that information should be publicly disclosed and that any party seeking confidentiality bears a strong burden of proof. Indeed, as discussed below, a party seeking protection of its documents always bears the burden of proof." (D.06-06-066 at 2.)

This is a fundamental principle in our regulation of public utilities. We apply this approach to all information about the adopted voluntary RNG Tariff program that we require in the Annual and Quarterly Reports, including contract prices paid by the Utilities to purchase RNG along with supplier name, location, and feedstock source. There are four specific policy reasons for this approach.

First, providing transparency to the general public is an important policy objective of the Commission. Transparency is especially important for a voluntary program in order to fully inform customers in their opt-in decision-making. The Utilities' market research identified lack of information about the program costs and effects as a barrier to participation.⁶¹ As illustrated by the Applicants, the RNG Tariff Commodity Charge is anticipated to be four times greater than customers' regular fossil natural gas price. Program participants deserve to know the prices that the Utilities pay under the RNG contracts to help in their understanding of the higher RNG tariff rate.

Second, competitive markets are most efficient and equitable when all participants have access to the same information. The RNG market will be more competitive and work more efficiently if all sellers, buyers, and consumers have the same information.

Third, parties and participating customers may have an interest in seeing how RNG prices reflected in the annual report change over the years. This includes whether RNG price reductions are achieved.

Finally, we find that the parties and participating customers may have an interest in knowing the feedstock sources and locations of the facilities providing RNG for the program. Participants may be interested in knowing whether the

⁶¹ *Id.*, Attachment A at 19.

sources they are helping to support are landfills or dairies, or some combination of sources, and whether the various sources are in a nearby city or county, elsewhere in California, or in a different state.

Therefore, we conclude that RNG Tariff program supplier's name, location, feedstock source, and contract prices shall be public at the time of issuance of the Annual Report, absent a specific finding otherwise. Claims of confidentiality of contract prices may be submitted by a party pursuant to the terms of General Order (GO) 66-D or its successor. We emphasize in the strongest possible terms, however, that a party seeking confidential treatment bears a very high burden of proof as it relates to these RNG contracts.

6.8. Program Alignment with SB 1440 Implementation

When the Commission issues a decision in Phase 4 of R.13-02-008 regarding implementation of SB 1440, the Utilities shall each submit and serve a Tier 3 AL within 90 days after the Commission issues its decision. The AL shall propose ways to harmonize the adopted voluntary RNG Tariff program for SoCalGas and SDG&E with the policy requirements adopted in Phase 4 of R.13-02-008 regarding SB 1440. If either the alignment of this voluntary program is addressed in the decision in Phase 4 of R.13-02-008 or if that decision exempts or vacates this program, then no AL is required.

7. Conclusion

In summary, state law requires the Commission to consider adopting specific biomethane procurement targets or goals for each gas utility under SB 1440. The evidence that the Utilities provided for the formal record here indicates sufficient support from their customers and communities for a voluntary RNG Tariff pilot program. We agree with the opponents of the

Settlement Agreement that, as proposed, the Settlement Agreement is potentially in conflict with policy goals set forth in state law. However, with some exceptions, many elements of the Settlement Agreement are supported by or not contested by the non-settling parties. We also find that the Settlement Agreement provides a good framework for the adopted voluntary pilot program. Therefore, this decision adopts a voluntary RNG Tariff pilot program that is largely based on the Settlement Agreement with limited modifications (*see* Appendix A).

All motions not specifically ruled upon are denied.

8. Categorization and Need for Hearings

The Scoping Memo confirms the Commission's preliminary determination in Resolution ALJ 176-3434 that this is a ratesetting proceeding and evidentiary hearings are required. Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules. As discussed in Section 1, parties agreed to waive evidentiary hearings. This decision resolves all issues in this proceeding. Therefore, no hearings are needed.

9. Comments on Proposed Decision

The proposed decision of ALJ Liang-Uejio in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules. Comments were filed on November 16, 2020 by the Utilities, AECA, BAC, Cal Advocates, CUE, EDF, RNGC, LC/SC, SFE, TURN, and Wild Tree. Reply comments were filed on November 23, 2020 by the Utilities, AECA, Cal Advocates, EDF, RNGC, LC/SC, and TURN.

Consistent with the Rules, we give no weight to comments which fail to focus on factual, legal, or technical errors and, in citing such errors, fail to make

specific references to the record or applicable law. (Rule 14.3(c).) In particular, we disregard comments which only reargue a party's position.

We make limited corrections and revisions to improve clarity. We note that Appendix B was attached to the proposed decision to highlight changes from the Settlement Agreement and thereby facilitate parties making their comments on the proposed decision. Appendix B is no longer needed for that purpose. Therefore, we delete the prior Appendix B and rename the prior Appendix C as Appendix B to this order.

We are persuaded by parties' comments to make limited revisions to the policy requirements and the submission of the implementation ALs in the proposed decision.

- We provide additional clarifications related to long-term contract cost recovery. In addition, we allow more time for the Utilities to decide whether to implement the RNG Tariff program and to submit separate implementation ALs.
- We require additional disclosures in the Utilities' marketing materials.
- We require the Utilities to submit annual Tier 1 ALs to report to the Commission whether in-state dairy RNG suppliers are in compliance with all applicable air and water pollution control standards or requirements.
- We require the Utilities to submit annual Tier 2 ALs to confirm whether the Utilities have complied with the RNG procurement requirements.

LC/SC request certain modifications to the RNG Tariff program, including a prohibition on procurement of RNG from dairies due to pollution they create and the resulting impacts on local communities. If these modifications are not adopted, they request that the Commission require certain disclosures in the

program marketing materials. We do not adopt the requested prohibition but add a requirement for certain disclosures in the marketing materials to address the concerns identified by LC/SC. Due to concerns about local environmental impacts of dairies that might provide RNG, we also adopt requirements for annual reporting on a dairy RNG supplier's compliance with applicable air and water pollution control requirements. This information will be considered in the evaluation of the pilot program. We also add a disclosure about the implication of the RNG Tariff program for the Utilities' GHG reduction obligations under CARB's Cap-and-Trade Regulation. These additions are discussed in the section above.

The Utilities and some of the Settling Parties object to elimination of the cost cap that was part of the Settlement Agreement. The cap potentially allowed all the RNG supplies to come from out-of-state if the price of in-state RNG was too high. Parties argue that RNG supplies in California are currently quite limited, and RNG from new dairy biomethane projects that are completed in the near future are likely to be sold for LCFS credits at prices that are too expensive for customers in the RNG Tariff program. With SB 1440 implementation underway, we find that development of lower cost sources of biomethane with environmental benefits for California may be possible. However, it is likely to require long-term contracts for procurement of substantial volumes. We continue to believe that eliminating the cost cap is appropriate because achieving environmental benefits in California is an important reason that we authorize the pilot program. The additional time provided in this decision will allow the Utilities to evaluate whether procurement for the voluntary pilot RNG tariff may

occur in conjunction with long-term contracts for any RNG procurement that may be authorized in the proceeding implementing SB 1440 (R.13-02-008).

Several parties request authorization to seek intervenor compensation for their work on the PAG and the modified GREET methodology, both addressed in this decision. Intervenor compensation is generally available to certain parties that make a substantial contribution to the adoption of an order or decision of the Commission in a formal proceeding,⁶² and we decline to grant parties' requests in this situation. Those costs would also result in an increase in non-participating customers' rates, which we wish to avoid.

We also consider SC/LC's request to impose the same "additionality" requirement for in-state RNG sources that is required in CARB's Cap-and-Trade Regulation for offsets. We decline to adopt this requirement for the reasons set forth above, and because of the following: RNG from existing facilities takes advantage of prior infrastructure investments resulting in lower cost for program participants, and existing wastewater treatment facilities could increase their RNG production by processing food waste diverted from landfills.

Finally, parties raised other issues in their comments. We decline to adopt their proposed modifications because we do not find the respective arguments persuasive.

10. Assignment of Proceeding

Clifford Rechtschaffen is the assigned Commissioner and Scarlett Liang-Uejio is the assigned ALJ in this proceeding.

⁶² See Pub. Util. Code Sections 1802(j) and 1803(a).

Findings of Fact

1. The Settling Parties request Commission approval of a voluntary pilot RNG Tariff program as set forth in the Settlement Agreement. The Settling Parties are the Utilities, AECA, BAC, Cal Advocates, EDF, RNGC, and SFE.
2. The Settlement Agreement is contested by TURN, CUE, LC/SC, and Wild Tree. These parties represent the interests of environmental, customer, and labor perspectives.
3. Under the Settlement Agreement, the voluntary RNG Tariff program will be a three-year pilot subject to Commission review and approval for continuation at the end of the three-year period. If program continuation is not approved, upon the Commission decision, the Utilities will terminate the program within two additional years (transition period).
4. The Settlement Agreement provides that the Utilities should meet certain minimum procurement requirement goals. The Settlement Agreement requires, with some exceptions, that the Utilities procure at least 50 percent of RNG supplies from in-state sources to meet program demand, of which at least half is from sources other than landfill gas. The average cost of the in-state RNG supply portfolio is subject to a limit of 200 percent of the average costs of the total out-of-state portfolio to meet the program demand. If there are no qualifying non-landfill offers, the remaining demand will be met with qualifying in-state landfill up to a 250 percent average cost limit. The Settlement Agreement allows the Utilities to meet the program demand with out-of-state RNG supplies in the event there are ultimately no qualifying in-state landfill offers.
5. To provide transparency and oversight for RNG procurement, the Settlement Agreement creates a PAG that will consist of the Utilities, Energy Division staff, and other interested non-market participants.

6. The Settling Parties clarified that the additionality requirement for eligible RNG supplies pursuant to 17 CCR Section 95852.1.1 under the Settlement Agreement applies only to out-of-state RNG supplies. The Settling Parties further clarified that 17 CCR Section 95852.1 applies to both in- and out-of-state RNG supplies. The Settling Parties agree that the Utilities will contract an independent third-party company to verify the compliance of both in- and out-of-state RNG supplies with the MRR and Cap-and-Trade Regulation as well as RNG carbon intensity information using the GREET model for the LCFS program.

7. SB 1440 (Stats. 2018, Ch. 739, Sec. 1), codified by Pub. Util. Code Sections 650-651, requires the Commission, in consultation with CARB, to consider adopting specific biomethane procurement targets or goals for each California gas utility. It also requires the Commission to ensure that biomethane delivered to California through a common carrier pipeline eligible for any procurement program must demonstrate environmental benefits to California.

8. A voluntary pilot RNG Tariff program will provide other benefits in addition to reducing SLCPs and GHG emissions. The program may help customers gain early experience in using RNG as a part of their regular fossil-based natural gas services, expand upon the existing RNG market in California, and provide valuable information to assist the Commission should it later set statewide biomethane targets.

9. The Settlement Agreement may result in the Utilities potentially procuring 100 percent of the RNG supplies to meet their program demand from out-of-state RNG sources that have either no or negligible direct environmental benefits to California, as defined in SB 1440.

10. At the time the Application was filed, there were only three in-state pipeline-injected RNG production facilities in operation. The Utilities' testimony shows there are now nine RNG production facilities in operation, four under construction, and 14 in substantial development.

11. SoCalGas requests funding for \$785,000 of its estimated IT costs via the unused capital budget authorized for its 2019 Test Year GRC cycle. SDG&E requests authority to include its IT costs in its next GRC.

12. Subsequent to the filing of this Application, the Commission issued D.20-01-002 in R.13-11-006 (the Rate Case Plan Decision), which changes SDG&E's GRC process and schedule. D.20-01-002 extends SDG&E's Test Year 2019 GRC cycle by two additional Attrition Years (2022 and 2023). It permits SDG&E to update its overall capital budget estimates and include proposed escalation factors for 2022 and 2023.

13. The Settlement Agreement resolved other issues related to the voluntary RNG Tariff program including general terms, program design, regulatory accounting, marketing, and reporting.

14. The Settlement Agreement leaves open whether the Utilities' shareholders should be the backstop for the wind down costs (*i.e.*, whether any costs not otherwise recovered from program participants during the operation of the RNG program should be recovered from the Utilities' shareholders).

15. Providing additional time for the Utilities to decide whether to implement the RNG Tariff and submit the implementation details allows the Utilities to evaluate whether there are opportunities for long-term contracting in conjunction with any procurement that may be authorized in the proceeding implementing SB 1440 (R.13-02-008).

16. Providing additional time before biomethane supplies are needed for RNG Tariff participants provides more time for establishment of new biomethane production facilities.

17. Using RNG in appliances indoors does not reduce air pollutants in buildings, as compared with using traditional fossil-based natural gas.

18. Capturing biogas from dairies to produce renewable natural gas reduces greenhouse gas emissions, but does not mitigate all water, air, and odor pollution from dairies that impacts local communities.

19. Procuring RNG for the pilot program reduces the Utilities' GHG compliance obligations under CARB's Cap-and-Trade Regulation. The Utilities propose that the resulting cost savings will be credited to the RNG Tariff program customers.

Conclusions of Law

1. The Settlement Agreement is not in line with the statutory RNG procurement goals as set forth in SB 1440 because it could allow the Utilities to meet program demand with more than 50 percent of out-of-state RNG sources if in-state supply costs exceed the proposed cost cap. It may result in negligible to no direct environmental benefits to California, contradictory to the statutory goals.

2. The Settlement agreement is not consistent with law and is not in the public interest.

3. The Settlement Agreement provides a good starting point for development of a voluntary RNG Tariff program and reasonably resolves numerous issues that are essential elements of the program.

4. It is a better approach to adopt an alternative program that is built on the Settlement Agreement with modifications to better align with state GHG and

SLCP reduction goals, policies, and laws than to reject the Settlement Agreement and close the proceeding.

5. At least 50 percent of in-state and out-of-state RNG eligible to meet program demand should be required to be delivered to California consistent with the requirements in Pub. Util. Code Section 651(b)(3)(B).

6. Additionality for in-state supplies should not be required beyond the provisions of SB 1440 and CARB's current Cap-and-Trade Regulation.

7. The additionality requirement for biomethane used to generate electricity under the RPS program should not be required for the voluntary RNG Tariff pilot program.

8. RNG sources outside the United States that are not already delivering RNG through a common carrier pipeline in the United States should not be allowed within the voluntary RNG Tariff pilot program.

9. The Utilities should not be required to secure RNG contracts that extend beyond the pilot program duration. However, if they do and the pilot program is terminated, any stranded costs of RNG procured under long-term contracts that cannot be recovered from the pilot participants should be recovered only from shareholders, unless a subsequent Commission decision expressly authorize cost recovery from customers. "Stranded procurement costs" are any excess costs incurred for gas procured (beyond the pilot program duration) because it is RNG, rather than regular fossil-based natural gas, and also include any such costs of excess RNG during the pilot duration that exceeds amounts needed for participants. These costs should be the Utilities' shareholders' responsibility unless a subsequent Commission decision expressly authorizes cost recovery from customers.

10. The GREET methodology can and should be modified to calculate the carbon intensity of RNG that is distributed by gas pipelines.

11. In their subsequent GRCs or other ratemaking proceedings, the Utilities should not be permitted to request recovery of any program wind down costs not recovered from program participants with the exception of wind down costs due to program termination before the end of the pilot period resulting from a future state law, regulation, or Commission decision.

12. In D.15-01-051, the Commission determined that a shareholder backstop will promote cost-effective management of the electric utilities' GTSR program. The same ratemaking policy should be adopted for the voluntary pilot RNG Tariff Program.

13. The Utilities' program marketing materials should be neutral with respect to local environmental benefits and building electrification, and should be subject to Commission review and approval. The marketing materials should also contain disclosures to prevent customers from incorrectly assuming that use of RNG improves indoor air quality, and that use of RNG from dairies resolves the issue of environmental impacts from dairies on local communities and to inform customers of the implications of RNG procurement under the CARB Cap-and-Trade Regulation.

14. The Commission should monitor the compliance with applicable air and water pollution control requirements by in-state dairies that supply RNG for the pilot program and consider this information as part of the program evaluation.

15. Program evaluation metrics should include more than just GHG emission reductions.

16. Each individual supplier's name, location, feedstock source, and contract prices of the Utilities' RNG contracts should be publicly available at the time of issuance of the Annual Report unless a request for confidential treatment for contract prices pursuant to GO 66-D is granted.

17. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The voluntary pilot Renewable Natural Gas Tariff program (pilot program) in Appendix A of this decision is adopted. Southern California Gas Company and San Diego Gas & Electric Company (the Utilities) are authorized to offer this program to their eligible customers. The Utilities shall comply with all requirements set forth in Appendix A.

- (a) Within six months from the issuance of this decision, each of the utilities shall submit and serve a Tier 1 Advice Letter (AL) advising the Commission whether or not it will implement the authorized program and, if so, stating its intended implementation schedule. If the Utilities decide to offer this program to their customers, the Utilities shall also include in the Tier 1 AL a request for authorization to establish a new, two-way balancing account (Renewable Natural Gas Tariff Balancing Account or RNGTBA) for each utility.
- (b) In addition, within twelve months from the Utilities' submission of the above Tier 1 AL, if implementing the program, the Utilities shall submit and serve separate ALs for program implementation consistent with the policy requirements adopted in this decision.
 - i. The Utilities shall work with stakeholders, including the Commission's Energy Division staff, California Air Resources Board, and parties in this proceeding, to develop a modified methodology to calculate RNG

- carbon intensity. The modified methodology shall be based on the California Greenhouse Gases, Regulated Emissions, and Energy use in Transportation (GREET) model. The Utilities shall jointly submit and serve the modified GREET methodology in a Tier 3 AL for Commission's review and approval.
- ii. Each of the Utilities shall submit and serve a Tier 2 AL to implement the pilot program.
 - iii. Each of the Utilities shall submit and serve a Tier 2 AL, or the Utilities shall jointly submit a Tier 2 AL, for review and approval of marketing and outreach materials prior to any marketing and outreach or program implementation.
- (c) The Utilities shall report to the Commission whether in-state dairies under RNG contracts for the pilot program have complied with all applicable air and/or water pollution control standards or requirements, describing any incident of noncompliance, the cause, and when and how it was or will be resolved. The Utilities shall submit and serve Tier 1 ALs at the same time as SoCalGas submits its last Quarterly Commission Report each year to provide that information. The Tier 1 ALs shall include the compliance reports received from dairy RNG generating facilities. The Utilities' obligation to report on in-state dairy RNG suppliers' compliance with air and water pollution control requirements shall continue until the pilot program termination.
- (d) The Utilities shall submit and serve annual Tier 2 ALs to report to the Commission the verification results of an independent third-party verifier within 45 days of each one-year anniversary from the program initiation date during the pilot program duration. The Utilities shall confirm whether the Utilities are in compliance with the following RNG procurement requirements:

- i. A minimum of 50 percent of RNG delivered meets the eligibility criteria as set forth in Public Utilities Code Section 651(b)(3)(B).
 - ii. RNG supplies purchased meet the California Air Resources Board's Mandatory Reporting Requirement and Cap-and-Trade Regulation requirements.
 - iii. There is no double counting. The RNG was delivered by contracted facilities and the environmental attributes of the RNG were not sold, transferred, claimed, or used by the generating facility or other entity.
- (e) If the Utilities wish to make modifications to the adopted program such as program design or the reporting frequency, the Utilities shall submit and serve a Tier 3 AL for Commission approval. The Utilities may change the adopted program's subscription levels without Commission approval.
- (f) The program initiation date shall be the date of the Utilities' first customer bill for participation in the program. The Utilities shall each file a Tier 3 AL for Commission review of the program and approval for the continuation of the pilot on the third-year anniversary from the program initiation date.
 - i. The Utilities shall continue to administer the program pending the Commission's disposition of the Utilities' respective Tier 3 ALs.
 - ii. If program continuation is not approved, the Utilities shall terminate the RNG Tariff program within two years from the disposition of their respective Tier 3 ALs. Upon the Tier 3 AL disposition, the Utilities shall cease incurring marketing expenses for the program and minimize administrative costs.
- 2. All motions not specifically ruled upon are denied.

3. Application 19-02-015 is closed.

This order is effective today.

Dated _____, at San Francisco, California

APPENDIX A

Appendix A

Adopted Voluntary Pilot Renewable Natural Gas Tariff Program

I. General

- A. Southern California Gas Company ("SoCalGas") and San Diego Gas & Electric Company ("SDG&E") (together referred to as the Utilities) are authorized to implement a voluntary pilot Renewable Natural Gas ("RNG") Tariff program (hereinafter referred to as the "RNG Tariff program"), pursuant to the terms of this document.
- B. The Utilities may propose modifications to the program design or the reporting frequency other than subscription levels by submission of a Tier 3 Advice Letter (AL) for Commission approval. The Utilities may change the program's subscription levels without Commission approval. (*see* Section V(B), *infra*)
- C. The goals of the voluntary RNG Tariff program are: (1) to accelerate the use of renewable, low carbon RNG and the development of RNG supplies in California and nationally, and (2) reduce greenhouse gas ("GHG") and Short-Lived Climate Pollutant ("SLCP") emissions in California.

II. Program Review

- A. The RNG Tariff program will be reviewed three years after the date of the first customer bill for participation in the RNG Tariff program (program initiation date).
- B. The Utilities shall submit and serve a Tier 3 for Commission review of the program and approval for continuation of the pilot AL by the third-year anniversary from the program initiation date. The Utilities shall provide the details of, and results from, the program to date. The scope of the review shall be the following:
 1. Estimates of net GHG and SLCP emissions reductions achieved under the program, and reductions in the Cap-and-Trade obligations incurred by the Utilities.
 2. Annual in- and out-of-state RNG supplies procured to meet the RNG Tariff program demand and the status of the Utilities' compliance with the procurement requirement under Public Utilities (Pub. Util.) Code Section 651(b)(3)(B) (*see* Section IV(A)(8), *infra*). The Utilities shall provide whether this requirement is met and explain any unusual circumstances or challenges that were encountered.
 3. Evaluation of new or additional production of RNG in-state and nationally, if any, resulting from procurement activities to date.
 4. Procurement costs.

5. Number of participants in the program and their annual program demand.
 6. Historic, current, and projected future customer subscription levels (as defined in Section V(B), *infra*).
 7. Average premiums (as defined in Section V(G)(2), *infra*) experienced by program participants (i.e., the difference between their RNG charges and regular gas charges).
 8. The results of a qualitative survey of customer satisfaction (funded by the RNG Tariff program).
 9. A recommendation on strategies for procuring incremental supplies from new RNG projects in California.
 10. The records of in-state dairy RNG suppliers' compliance with applicable air and water pollution control standards or requirements.
 11. Confirmation that volumes of RNG procured to meet program demand were delivered by contracted facilities and the environmental attributes of the RNG were not sold, transferred, claimed, or used by the generating facility or other entity.
- C. The Utilities shall demonstrate that the RNG Tariff program has resulted in reduced GHG emissions compared to a business-as-usual calculation, using the carbon accounting methodologies specified in Section IV.C, *infra*. Whether the RNG Tariff program results in reduced GHG emissions after three years, and the quantity and cost of these emissions, will be a primary consideration of the Commission, along with other elements in the scope of review, when evaluating whether the program is reasonable to continue.
- D. The Utilities shall continue to administer the pilot program pending Commission's disposition of the Tier 3 AL. If continuation of the pilot program is not approved, the Utilities shall terminate the RNG Tariff program within two years from the Tier 3 AL disposition date to allow time to conclude participation, contract obligations, etc. Upon a Commission decision, the Utilities shall cease incurring marketing expenses for the program and minimize administrative costs. The program duration is from the program initiation date to the program termination date. The Utilities' reporting of dairy RNG suppliers' compliance with applicable air and water pollution control requirements shall continue until the termination date.

III. RNG Definition

- A. RNG, also known as biomethane, is a biogas emitted from agricultural and waste products, and upgraded to a quality similar to fossil (traditional) natural gas.

- B. RNG procured under the RNG Tariff program must meet the following criteria:
1. The Utilities shall only procure biomethane for the RNG Tariff program as defined in Health & Safety Code § 25420 or pipeline compatible (or eligible) renewable gas derived from biomass conversion as defined in Public Resources Code § 40106.
 2. Allowable organic waste sources of RNG shall not include crops grown solely for energy production (commonly referred to as “purpose-grown crops”).
 3. Utilities maintain certain flexibility in the location and types of RNG purchased for the RNG Tariff program, subject to the limitations provided by the other provisions in this document.
 4. Utilities shall procure only RNG that has lower carbon intensity than the carbon intensity of traditional natural gas, using a lifecycle analysis based on a modified Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation (“GREET”) methodology for California used by the Low Carbon Fuel Standard (“LCFS”) program.
 5. The Utilities shall only procure RNG supplies from in- and out-of-state sources that meet “Applicable Standards” consistent with the Cap-and-Trade Regulation under California Code of Regulation, Title 17 (17 CCR) Section 95852.2 and 95852.1, respectively. “Applicable Standards” for out-of-state RNG supplies is defined in 17 CCR Section 95852.1.1 as follows:

RNG eligible for the biomethane exemption requirements set in the Mandatory Reporting of Greenhouse Gas Emissions (“MRR”) and Cap-and-Trade Regulation, including that the RNG must be either: (A) an increase in the biomass derived fuel production capacity, at a particular site, where an increase is considered any amount over the average production at that site over the last three years; or (B) recovery of the fuel at a site where the fuel was previously being vented or destroyed for at least three years or since commencement of fuel recovery operations, whichever is shorter, without producing useful energy transfer.
 6. If there are any changes to the Applicable Standards or any subsequent changes in the state regulation of RNG that apply to the RNG procured under this program, and, if deemed necessary after consultation with the Procurement Advisory Group (PAG), Utilities shall file a Tier2 AL proposing changes to the above Applicable Standards in accordance with the new state law and regulation.

IV. Procurement

A. General

1. SoCalGas's Gas Acquisition Department ("Gas Acquisition") shall be responsible for procuring RNG for the purposes of serving load for SoCalGas and SDG&E customers that voluntarily accept service under the RNG Tariff program.
2. Gas Acquisition shall have at its disposal all available Commission-approved tools used when contracting for traditional natural gas, including but not limited to storage, regulatory account over / under-collection adjustments, and selling excess RNG supplies.
3. RNG supplies procured for this program shall be managed using assets already allocated to bundled core customers, including but not limited to, storage inventory capacity, injection and withdrawal rights, interstate capacity, and backbone transportation service.
4. Gas Acquisition may contract with marketers who carry a portfolio of RNG supplies and/or directly with biogas producers and developers.
5. Any initial RNG supplies that are unused may be stored and available for later use. Shortages, if any, may be made-up with surplus supply or with purchases in future months, and may be cured, at a minimum, on an annual basis, as demonstrated in Utilities' Annual Report required in Section VIII.A, *infra*. The Utilities' Annual Report shall include a notation of any months in which there was an RNG supply shortage.
6. Separate tracking and reporting tools and procedures may be utilized to account for matching customer participant load with purchased RNG and recording purchase prices and volumes.
7. RNG purchases shall not be included in the Gas Cost Incentive Mechanism ("GCIM") calculation.
8. At least 50 percent of the Utilities' RNG supplies for the program demand on an annual basis must be procured from in-state or out-of-state sources that are delivered to California and meet the eligibility criteria of Pub. Util. Code Section 651(b)(3)(B).
9. RNG purchased for the RNG Tariff program that remains unsubscribed may be used for other eligible RNG programs to the extent the commodity costs for the unsubscribed RNG are recovered from that eligible program.

B. RNG Contract Terms

1. Utilities are authorized to enter long-term contracts that extend beyond the program duration of the RNG Tariff program. However, Utilities' shareholders shall be responsible for the unrecovered procurement costs if the RNG Tariff program is not authorized to be

extended beyond the program duration (as defined in Section II (D), *supra*).

2. In the event that the Utilities have remaining long-term RNG contract obligations that extend beyond the program duration and the continuation of the RNG Tariff program is not authorized beyond that time, the Utilities' shareholders shall be responsible for the stranded costs of RNG procured under the long-term contracts. "Stranded procurement costs" are any excess costs incurred for gas procured (beyond the pilot program duration) because it is RNG, rather than regular fossil-based natural gas, and also include any costs of excess RNG during the pilot duration that exceeds amounts needed for participants. These costs are the Utilities' shareholders' responsibility unless a subsequent Commission decision expressly authorizes cost recovery from customers.
3. A contract for procurement of RNG from a dairy supplier in California shall require the following:
 - a) The seller of RNG from a dairy shall provide the Utility (buyer) with an annual report indicating whether the dairy was in compliance with all applicable air and water pollution control standards or requirements for the preceding 12 months, with the report due no later than 30 days after the end of the 12th month;
 - b) Seller shall describe any incident of noncompliance with an applicable air or water pollution control requirement, including the dates and cause of the incident; and
 - c) Seller must explain the circumstances of any noncompliance, the steps taken by the seller to rectify the noncompliance, and if the noncompliance is ongoing, the expected resolution. The contract shall accelerate the seller's reporting requirements, as necessary, to cover less than a year, so compliance information during the third year of the pilot program is available to include in the Utilities' advice letter filing that seeks approval for the continuation of the RNG Tariff program.

C. Carbon Content of Sourced RNG

1. Utilities shall require RNG suppliers to provide lifecycle GHG emissions calculations in accordance with a modified GREET model used by the LCFS program that includes a carbon intensity baseline based on, but not limited to, energy inputs required for upgrading biogas to be safely injected into the common carrier pipelines, and use this information in evaluating the carbon intensity of RNG supply choices.
 - a) Utilities shall work with stakeholders, including the Commission's Energy Division staff, the California Air Resources Board

- (“CARB”), and interested parties in A.19-02-015, to develop a modified GREET model to calculate RNG carbon intensity.
- b) Utilities shall file a Tier 3 Advice Letter establishing the methodology to be applied in verifying the carbon intensity of RNG supplies prior to the start of the program. The filing shall include the modified GREET model for the Commission’s review and approval.
 2. Utilities shall develop a bid evaluation methodology for RNG supplies including, among other things, lifecycle GHG emissions using a \$/ton CO₂e ranking.
 3. Utilities shall retain an independent third-party verification company to verify that the RNG carbon intensity information provided by the RNG suppliers is consistent with the modified GREET methodology for the LCFS program.
 4. Utilities shall include a summary of the independent third-party verifier’s findings in their Quarterly Commission Report (*see* Section VIII.B, *infra*).
- D. Verification and Additionality Requirements
1. Utilities shall follow the requirements of MRR and the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (“Cap-and-Trade Regulation”).
 2. The compliance of purchased RNG supplies with MRR and Cap-and-Trade Regulation shall be verified by a third-party independent verification body, accredited by CARB, as required to receive the biomethane exemption under the Cap-and-Trade Regulation.
 3. While eligible for a grandfathered exemption pursuant to 17 CCR § 95852.1.1, Utilities shall not procure any supplies or attributes from out-of-state RNG sources contracted before January 1, 2012 to serve RNG Tariff program customers. Even though this requirement in 17 CCR § 95852.1.1 does not apply to in-state RNG supplies, the Utilities shall follow the same requirement.
 4. Utilities shall neither generate nor sell Renewable Energy Credits (“RECs”) for purposes of the RNG Tariff program.
 5. If a core customer directly complies with the Cap-and-Trade program as a covered entity or opt-in covered entity, that customer may participate in the RNG Tariff program but will be prohibited within the RNG Tariff program from claiming a reduced emissions obligation under the Cap-and-Trade program to prevent double counting. This prohibition will be included in the RNG Tariff program sheet.
 6. In order to prevent double counting, Utilities shall procure all environmental attributes associated with RNG supplies and require sellers to demonstrate that the RNG has not been used to comply with

environmental or procurement requirements in any other state. An independent third-party verifier shall verify that the RNG was delivered by contracted facilities and the environmental attributes of the RNG were not sold, transferred, claimed, or used by the generating facility or other entity.

7. If any subsequent RNG certification or verification process is adopted by the Commission in a broader Rulemaking proceeding(s), Utilities shall submit a Tier 2 AL proposing modifications to the certification and verification process specified in this section in accordance with the subsequent Commission decisions. The AL shall describe if and how procurement will comply with the newly adopted process going forward.
 8. Utilities are required to submit annually, an independent third-party verification report to Energy Division, in a Tier 2 Advice Letter, demonstrating that RNG supplies for the RNG Tariff program are in compliance with the MRR, Cap-and-Trade Regulation, at least 50 percent of the RNG procured meets the requirement of Pub. Util. Code Section 651(b)(3)(B), and there was no double counting of environmental attributes associated with RNG supplies (*See* Sections III(B)(5), IV(A)(8), and IV(C)(6), *supra*).
- E. Procurement Advisory Group
1. The Utilities shall discuss RNG procurement issues related to the RNG Tariff program with a Procurement Advisory Group ("PAG"), which, consistent with the Utilities' biweekly procurement meetings, shall consist of the Energy Division of the Commission, the Public Advocates Office of the Commission, The Utility Reform Network, and any other interested non-market participant, subject to an appropriate non-disclosure agreement.
 2. The PAG shall be consulted (1) prior to release of each solicitation for RNG supplies for the RNG Tariff program, (2) prior to selection of an RNG supplier for the RNG Tariff program, (3) prior to submission of the first annual report, and (4) as otherwise required by the terms of the RNG Tariff program.
 3. The Utilities shall report in their Quarterly Report (*see* Section VIII.B, *infra*) whether there are any PAG recommendations that the Utilities has not implemented. The Utilities shall list these recommendation(s) and explain why they were or have not implemented.

V. RNG Tariff (Schedule No. G-RNG)

A. Eligibility

1. Residential and Non-residential Procurement Customers are eligible, as defined in Tariff Rule No. 1, on core rates, with the exception of customers receiving transportation-fuel service under Schedule No. G-NGV. Non-residential customers may elect either a flat Monthly Purchase Amount, or a Purchase Percentage, as defined in terms of the RNG Tariff program. Residential customers are only eligible for the Monthly Purchase Amount.
 2. CARE customers are eligible to participate in the RNG Tariff program but will not receive the CARE discount on monthly RNG charges.
- B. Subscription Levels
1. Monthly Purchase Amount: For all residential customers and for nonresidential customers who elect the flat amount option, the Monthly Purchase Amount is a pre-defined dollar amount that the customer selects for the amount of RNG to purchase (e.g., \$10, \$25, \$50 per month).
 2. The RNG Tariff program will initially offer three purchase amounts for all residential customers (i.e., \$10, \$25, \$50). Should customer research or feedback identify demand for additional subscription levels or different subscription amounts, the Utilities shall be able to modify the subscription levels without Commission approval. However, customers' monthly purchase amounts cannot be automatically switched to a higher level without their prior consent.
 3. CARE customers can participate at a purchase amount 20 percent below the lowest Non-CARE residential level (i.e., \$8). The 20 percent reduction: (a) represents a 20 percent reduced pre-defined dollar amount and a commensurate 20 percent reduction in purchased RNG and (b) is a percentage consistent with the CARE discount currently applicable to gas rates. Should CARE customers want to opt-in at higher purchase amounts, they can opt-in at the Non-CARE residential levels beyond the first tier (i.e., \$25 or \$50).
 4. RNG Purchase Percentage: For non-residential customers who elect this option, the RNG Purchase Percentage is a pre-defined percentage of usage per month that the non-residential customer selects to be renewable (i.e., 25 percent, 50 percent, 75 percent, or 100 percent).
 5. The RNG Tariff program will initially offer 4 four percentages for non-residential customers (i.e., 25 percent, 50 percent, 75 percent, or 100 percent). Should customer research or feedback identify demand for additional percentage levels, the Utilities shall be able to modify the subscription percentages without Commission approval. However, customers' percentage purchase amounts cannot be automatically switched to a higher level without their prior consent.
- C. Commitment Periods

1. A minimum commitment of one year for residential CARE and non-CARE customers will be required when enrolling in the RNG Tariff program. The commitment period will begin on the first billing date following enrollment, unless enrollment is less than 15 days prior to that billing date, then service will begin on the next billing date.
2. A minimum commitment of two years for non-residential customers will be required when beginning enrolling in the RNG Tariff program. The commitment period will begin on the first billing date following enrollment, unless enrollment is less than 15 days prior to that billing date, then service will begin on the next billing date.

D. Enrollment and Disenrollment

1. A completed enrollment form must be received by the Utility and the eligible customer must accept the terms and conditions of enrollment. Enrolled customers will have 60 days from their enrollment date during which the customer may notify the Utility that they wish to cancel enrollment or decrease their RNG monthly purchase amount or purchase percentage. Enrolled customers may increase their RNG purchase amount or purchase percentage at any time.
2. A customer's enrollment is fully transferrable to a customer's new premises, provided that (1) the customer is still eligible, (2) the new location is within the Utilities' service territory, and (3) service will be in the customer's name. The customer must notify the Utility which account the existing enrollment should be transferred to.
3. Customers may disenroll from the RNG Tariff program if they close the enrolled account, or they request a payment arrangement or extension and request relief from the program.
4. Customers subject to service disconnection due to failure to pay for natural gas service will be disenrolled from the RNG Tariff program.
5. Utilities shall notify customers 60 and 45 days prior to the end of their commitment period about their options for disenrollment, re-enrollment, and how to change their RNG Monthly Purchase Amount or Purchase Percentage.
6. Residential customers, upon completion of the one-year commitment period, may re-enroll for another year, request to disenroll in the program, request to change their RNG Monthly Purchase Amount, or allow their commitment to continue on a month-to-month basis. If a residential customer wishes to change their RNG Monthly Purchase amount, then they must re-enroll for another one-year commitment.
7. Residential customers must request to disenroll at least 30 days prior to the end of their commitment period. If they do not request to disenroll at least 30 days prior to the end of their commitment period, they will remain in the RNG Tariff program on a month-to-month

basis until they request to disenroll. When a customer requests to disenroll, re-enrolls, or changes their RNG Monthly Purchase Amount, changes will become effective after one complete billing cycle.

8. Residential CARE customers that fail to qualify for CARE at any point during their commitment period, will remain on the reduced CARE rate (if selected; *see* Section V(B)(3), *supra*) until such time as they re-enroll, disenroll or are disenrolled for failure to pay for natural gas service.
 9. Non-residential customers, upon completion of their two-year commitment period, may re-enroll for another two years, request to disenroll from the program or request to change their RNG Monthly Purchase Amount or Purchase Percentage. If a non-residential customer wishes to change their RNG Monthly Purchase Amount or Purchase Percentage, they must re-enroll for another two-year commitment.
 10. Non-residential customers must request to disenroll at least 30 days prior to the end of their commitment period. If a non-residential customer does not request to disenroll at least 30 days prior to the end of their commitment period, they will remain in the RNG Tariff program for 90-day commitment periods and must request to disenroll at least 30 days prior to the end of a 90-day commitment period. Requests for disenrollment after the 30-day window will become effective after 3 complete billing cycles. If a non-residential customer re-enrolls or decreases their RNG Monthly Purchase Amount or Purchase Percentage, changes will become effective after one complete billing cycle.
 11. The RNG Tariff program does not modify any aspect of the existing rules and processes for customer participation in the Utilities' Core Aggregation Transportation ("CAT") program.
- E. Bill Calculation
1. Monthly Purchase Amount: To calculate the customer's monthly bill, the Utilities shall first calculate the RNG usage therms quantity by dividing the customer's Monthly Purchase Amount by the current RNG rate. This RNG usage quantity will be rounded down to the next whole therm. The new RNG usage quantity will be subtracted from the total monthly usage quantity and the remaining usage quantity will be considered the usage quantity served by traditional natural gas. Monthly charges will be calculated by multiplying the RNG usage therms by the current RNG Rate. The traditional natural gas charges will then be calculated by using the customer's current traditional natural gas therm commodity procurement rate. The customer will incur transportation and other charges for all the natural gas quantity

consumed (RNG plus traditional natural gas), as done currently per the customer's traditional natural gas tariff rate. There will be no change to the method used to calculate baseline usage and accordingly, a higher transportation rate will be used for the monthly usage quantities that exceed the baseline allowance. Utility user taxes will be applied as appropriate.

2. RNG Purchase Percentage: To calculate the customer's monthly bill, the Utilities will first calculate the RNG usage therms amount by multiplying the total therm usage for the customer by their RNG Purchase Percentage. The remaining usage will be considered the usage quantity served by traditional natural gas. Monthly charges will be calculated by multiplying the RNG usage therms by the current RNG Rate. The traditional natural gas charges will then be calculated by using the customer's current traditional natural gas therm commodity procurement rate.

F. Bill Presentment

1. The Utilities shall show transportation charges, gas commodity charges, and (if applicable), RNG Tariff program charges separately on the customer's bill, as described in Section V(E), "Bill Calculation," above.

G. Rates

1. The RNG rate charged to customers for the RNG Tariff program will be charged on a per therm basis and will consist of: (1) RNG Commodity Charge and (2) Program Charge.
2. The RNG Commodity Charge will be comprised of the Schedule G-CP "Core Procurement Service" tariff rate less the following Schedule G-CP rate components: (1) adjustment for over or under-collection imbalance in the Core Purchase Gas Account, (2) adjustment for the GCIM reward/penalty pursuant to D.02-06-023, (3) authorized franchise fees and uncollectible expenses ("FF&Us"), and (4) authorized core brokerage fee. In addition to the net rate after considering items 1-4 described above, the following rate components will also be included to arrive at the total RNG commodity charge: (5) a premium for RNG purchases defined as the difference in the estimated monthly weighted average cost of RNG purchases (including the cost of any renewable attributes or credits that are bundled with the RNG purchases) and the estimated monthly weighted average cost of traditional natural gas purchases, (6) Renewable Natural Gas Tariff Balancing Account RNG Commodity Charge sub-account over/under-collection adjustment, (7) less the estimated value of an amount reflecting the reduction in Utilities' cap-

and-trade obligation from bringing biomethane into the Utilities' system, (8) authorized FF&Us; and (9) authorized core brokerage fee.

3. Program Charge: The Program Charge will be comprised of (1) an amortization of administration and marketing costs associated with program oversight, program marketing collateral creation and customer outreach, and (2) an RNGTBA Program Charge sub-account over/under-collection adjustment.
4. The administration and marketing costs components of the Program Charge shall not exceed 30 percent of the RNG rate charge to customers for the RNG Tariff program. Any unrecovered administration and marketing costs shall be recorded in the RNG RNGTBA Program Charge subaccount.
5. The monthly RNG Rate will be calculated during the last week of the month and filed via a Tier 1 advice letter by the last business day of the month to be effective on the first calendar day of the following month.

H. Program Costs and Cost Recovery

1. Start-up costs will include the development and distribution of marketing material, modification of each Utility's Customer Information Systems ("CIS") and modifications to the gas acquisition information system shared by both Utilities. On-going costs annually will include the continued development and distribution of marketing material, and annual administrative costs to manage the RNG Tariff program.
 - a) Utilities will incur approximately \$50,000 in costs to modify the shared gas acquisition information system in order to accurately purchase, track and report on RNG acquisition as a separate portfolio for the RNG Tariff program.
 - b) The SoCalGas RNG Tariff program will incur approximately \$74,000 in labor charges during the first year of the program to manage the oversight of system designs and testing for the computer system upgrades, manage marketing collateral creation (including content for webpages, email, and social media), oversee the creation of new accounts and accounting cost tracking procedures, training for Customer Service Representatives ("CSRs"), and design and create regulatory reporting.
 - c) After the second year, SoCalGas labor charges are estimated to decline to approximately \$47,000 annually, with a 3 percent average annual cost increase for the designated labor and non-labor expenses.
 - d) The SDG&E RNG Tariff program, once it starts, will incur approximately \$74,000 in labor charges during the first year of the program to manage the oversight of business process designs for

- such things as call center scripts and enrollments, oversee the creation of new accounts and accounting cost tracking procedures, training for CSRs, and design and create regulatory reporting.
- e) After the second year, the SDG&E Program Administration labor charges are estimated to decline to approximately \$47,000, while experiencing 3 percent average annual cost increase for the designated labor and non-labor expenses.
 - f) SoCalGas estimates the RNG Tariff program will incur approximately \$90,000 in program marketing costs during the first year of the program and approximately \$60,000 annually thereafter.
 - g) SDG&E estimates the RNG Tariff program will incur approximately \$40,000 in program marketing costs annually.
 - h) SoCalGas and SDG&E estimate they will each incur annual Green-e or equivalent program certification fees of \$25,000 annually, and \$3,000 in travel and miscellaneous expenses per year for the first three years.
2. Administrative and marketing costs for the program would be recovered from RNG Tariff program participants via the RNG Tariff program charge for each Utility.
 3. Funding for the computer system modifications required for SoCalGas's CIS, websites, and the shared gas acquisition information system to accommodate the new RNG Tariff program (IT costs) shall be from its existing capital budgets approved in SoCalGas's Test Year 2019 General Rate Case ("GRC") Decision (D.)19-09-051. SDG&E shall recover its IT costs from its 2022-2023 Attrition Year capital funds authorized in the Commission's pending decision on SDG&E's Petition for Modification (D.19-09-051) in Application 17-10-007 et al.
 4. Any unamortized IT asset balances associated with the RNG Tariff program shall not be included in the incremental rate base in the Utilities' next GRC, and the costs shall continue to be absorbed by any unused capital funding in their next GRC cycles.
 5. If the RNG Tariff program continuation is not authorized and the program is terminated, Utilities shall not request recovery of any unrecovered wind down costs not recovered from program participants (i.e., the recorded balance in the RNGTBA as described in Section VI, infra) in their subsequent GRCs or other ratemaking proceedings. Such costs shall be recovered from the Utilities' shareholders.

VI. Regulatory Accounting

A. Establishment of the Renewable Natural Gas Tariff Balancing Accounts (RNGTBA)

1. The Utilities shall establish separate two-way RNGTBAs as interest-bearing balancing accounts recorded on the Utilities' respective financial statements.
 2. RNGTBAs
 - a) For SoCalGas, the RNGTBA consists of two subaccounts: The Commodity Charge Subaccount and the Program Charge Subaccount. The purpose of the Commodity Charge Subaccount is to record the RNG commodity costs the Utilities' opt-in core customers will pay for RNG purchases to serve customers' voluntary subscription level as well as to record the corresponding revenues from the RNG Commodity Charge. The purpose of the Program Charge Subaccount is to record the difference between RNGT administrative and marketing program costs and revenues from SoCalGas's RNG Program Charge.
 - b) The SDG&E RNGTBA shall only record the difference between RNGT administrative and marketing program costs and the revenues from SDG&E's RNG Program Charge. The difference between SDG&E's Commodity costs and revenues shall be recorded in SoCalGas' RNGTBA Commodity Charge Subaccount.
 3. The Utilities shall include a request for authorization to establish new, two-way RNGTBAs in a Tier 1 AL.
- B. Disposition of the RNGTBA Balances
1. The Commodity Charge Subaccount balance of SoCalGas's RNGTBA shall be incorporated in rates as necessary in connection with the Utilities' monthly Tier 1 AL filing to establish the RNG Commodity Charge.
 2. The RNG Program Charge shall be established separately for each Utility based on a forecast of the Utility's applicable RNGT costs, corresponding customer participation, and accounting for an amortization of such costs.
 3. The RNG Program Charge may be updated on an annual basis to amortize any under or over collection balance in the Program Charge Subaccount of the RNGTBA for SoCalGas, and in the RNGTBA for SDG&E.
 4. The updated RNG Program Charge shall be reflected in the Utilities' Tier 1 advice letters establishing the January RNG Rate.

VII. Marketing

A. Education and Outreach Content and Review

1. Education and outreach materials shall be submitted for review and approval in a Tier 2 AL.

2. The Utilities shall integrate the promotion and enrollment in Energy Efficiency ("EE") and Demand Response ("DR") programs in all outreach and education.
 3. Education and outreach materials are yet to be developed, but shall include the following information:
 - a) Materials shall not state that RNG production cleans water or resolves odor issues.
 - b) Materials shall explain that RNG use still produces GHG emissions, and that lifecycle emissions may vary depending on feedstock, production, and refinement methods.
 - c) Materials shall make no comparisons to, or assertions about, the cost, impacts, or desirability of building electrification and shall not include any statements that promote RNG over building electrification.
 - d) Materials shall not include any statements about the costs, impacts, or desirability of building electrification
 - e) The Utilities shall not portray RNG procurement as a solution to local environmental impacts of dairies or other biomethane sources. Materials must include this statement: "Capturing biogas from dairies to produce renewable natural gas reduces greenhouse gas emissions, but does not mitigate all water, air, and odor pollution from dairies that impacts local communities."
 - f) Materials shall also disclose RNG impact on indoor air quality and must include this statement: "Using renewable natural gas in appliances indoors does not reduce air pollutants in buildings, as compared with using traditional fossil-based natural gas."
 - g) Materials shall include this statement: "Purchasing renewable natural gas (RNG) for the voluntary pilot RNG Tariff program reduces the Utilities' greenhouse gas reduction obligations under the California Air Resources Board's Cap-and-Trade Regulation. The resulting cost savings will be credited to the RNG Tariff program customers."
- B. Program Webpages
1. The online program webpage shall show the current RNG rate on a per therm basis and explain how customers can compare their current annual energy costs to their estimated energy costs under the RNG Tariff program.
 2. The program webpages shall contain complete information about the program, the terms and conditions of the program, and a listing of charges included in the RNG Tariff program rate.
 3. The program webpages shall display the sources of RNG purchased for the RNG Tariff program including:

- a) The name and location (city and state) of each source of the RNG procured for the RNG Tariff program along with the percentage contribution to the overall supply portfolio.
- b) Feedstock type and percentage.
- c) Carbon intensity by feedstock.
- d) Overall carbon intensity for the RNG Tariff program.
- e) Carbon intensity of traditional natural gas.
- f) The information in a) to e) shall be updated every six months after program implementation; however, it will not be available until procurement contracts for RNG have been finalized.
- g) During program implementation the information shall be updated monthly or as needed when procurement contracts are finalized.

C. Target Markets

1. Residential education and outreach will include targeted marketing to residential or commercial buildings that have undergone recent EE or Energy Savings Assistance Program upgrades.
2. Customers participating in the RNG Tariff program shall be directed to the relevant energy efficiency audit and program offerings to promote enrollment in EE and DR programs.

D. Core Transport Agents

1. The RNG Tariff program does not prevent any Core Transport Agent ("CTA") from marketing similar or competing products to new or existing customers.
2. The Utilities shall not use information gained from their CAT program to market the RNG Tariff program to CTA customers whose contracts are nearing the end of their term

VIII. Reporting

A. Annual Customer Reports

1. Utilities shall provide individual customers with an annual report on the customer's participation in the RNG Tariff program, including:
 - a) Amount of traditional natural gas purchased.
 - b) Amount of RNG purchased.
 - c) Each individual supplier's name, location, feedstock source, and the RNG contract prices (\$/therm) unless granted confidentiality designation by the Commission.
 - d) Annual GHG emissions reductions from procured RNG for the program demand, expressed in metric tons of carbon dioxide equivalent (MTCO₂e).
 - e) Overall carbon intensity for the RNG Tariff program.
 - f) Carbon intensity for traditional natural gas.
 - g) Feedstock type percentage.

- h) Source state by percentage for RNG Tariff program.
 - i) Other RNG news and updates.
 - 2. This notification shall take the form of an email and the information shall be provided on Utilities' websites.
- B. Quarterly Commission Reports
 - 1. Utilities shall submit reports on the RNG Tariff program to Energy Division and serve it to the service list of A.19-02-015 within 45 days of the close of each quarter containing quarter-to-date, year-to-date, and program-to-date information.
 - 2. The content of the quarterly commission reports may change as directed by Energy Division, but initially shall include:
 - a) Overall description of RNG Tariff program activity since the previous report.
 - b) Program participation, new customers enrolled, and customers disenrolled by customer type (residential or non-residential).
 - c) Number of customers (residential or non-residential) by each maximum RNG Purchase amount, or in the case of some nonresidential customers, by RNG purchase percentage.
 - d) Summary of all PAG meetings held each quarter, the date on which meetings were held, the participant stakeholders of each meeting, individual topics discussed, and any votes held on action items.
 - e) PAG recommendation(s) that the Utilities did not implement, including a list of the recommendation(s) and an explanation of why the Utilities do not adopt the PAG's recommendation(s).
 - f) Quantity of and revenues from RNG sold by customer type.
 - g) Expenses incurred for Marketing and Administration.
 - h) GHG emissions reductions achieved, expressed in MTCO₂e.
 - i) Summary of the independent third-party verification of the RNG carbon intensity information provided by RNG suppliers.
 - j) Detailed information on RNG contracts including:
 - i. List of RNG suppliers contracting with Gas Acquisition.
 - ii. RNG supplier's primary location and years of operation.
 - iii. RNG supplier's volume of RNG purchased by Gas Acquisition for the year, its cost per therm, and its carbon intensity score.
 - iv. A notation of months when there was a shortfall in volume of RNG supply to meet demand.
- C. Dairy Compliance Reports
 - 1. The Utilities shall report to the Commission whether in-state dairies under RNG contracts for this pilot program have complied with all applicable air and/or water pollution control standards or requirements, describing any incident of noncompliance, the cause, and when and how it was or will be resolved.

2. The Utilities shall submit and serve Tier 1 ALs at the same time SoCalGas submits its last Quarterly Commission Report each year to provide that information. The Tier 1 ALs shall include the compliance reports received from dairy RNG generating facilities.
3. The Utilities' obligation to report on in-state dairy RNG suppliers' compliance with air and water pollution control requirements shall continue until the pilot program termination.

D. Third-Party Verification Reports

1. The Utilities shall report to the Commission on compliance and verification of all RNG sources, performed by an independent third-party verifier accredited by CARB.
2. The Utilities shall submit the report in Tier 2 ALs within 45 days of each one-year anniversary from the program initiation date during the pilot program duration. The ALs must confirm whether the Utilities are in compliance with the following RNG procurement requirements:
 - a) A minimum of 50 percent of RNG delivered meets the eligibility criteria as set forth in Public Utilities Code Section 651(b)(3)(B).
 - b) RNG supplies purchased meet the CARB's Mandatory Reporting Requirement and Cap-and-Trade Regulation requirements.
 - c) There is no double counting. The RNG was delivered by contracted facilities and the environmental attributes of the RNG were not sold, transferred, claimed, or used by the generating facility or other entity.

E. Tables of Reports

The following tables highlight the above reporting requirements and ALs. In the event of a conflict between the requirements in the tables, and those in the body of this document, the terms in the body of this document shall govern.

Table 1: Program Webpages

Data/information	Update Frequency	Notes
Program information	n/a	<i>See Section VII, supra</i>
Carbon intensity of traditional NG	Annually	Available day 1
Carbon intensity for the RNG Tariff program	Available once an RNG source is contracted, then every 6 months	
Feedstock type percentage	Available once an RNG source is contracted, then every 6 months	Pie chart of supply by feedstock
Carbon intensity for feedstock	Annually	Available day 1.
Source state percentage	Available once an RNG source is contracted, then every 6 months	Pie chart of supply by state

Table 2: Enrollment Acknowledgement

Data/information	Update Frequency	Notes
Start date for RNG Tariff program	After enrollment	Send as soon as practicable
Commitment end date		
Cooling-off period end date		
RNG subscription		Either monthly amount or percentage
Current monthly RNG rate		
Carbon intensity for the RNG Tariff program		If known, average
Feedstock percentage for RNG Tariff program		If known, pie chart of supply by feedstock
Source state percentage for RNG Tariff program		If known, pie chart of supply by feedstock
Other RNG news and updates		Marketing to EE programs and other

Table 3: Annual Customer Report – for customer, for previous year

Data/information	Notes
Amount of traditional NG purchased	Dollars and volume
Amount of RNG purchased	Dollars and volume
Cost of RNG purchased, including each individual supplier's name, location, feedstock source, and RNG contract prices	Average for customer and actual contract prices
Annual GHG emission reduction	Metric tons of carbon dioxide equivalent
Carbon intensity for the RNG Tariff program	Average
Feedstock percentage for RNG Tariff program	Pie chart of supply by feedstock
Source state percentage for RNG Tariff program	Pie chart of supply by state
Other RNG news and updates	Text

Table 4: Quarterly Commission Report – submitted within 45 days of the end of each quarter, under confidentiality designation, if appropriate

Data/information	Notes
Overall description of program activity since last report	Text
New customers enrolled	By customer type
Customers dis-enrolled	By customer type
Number of customers by purchase subscription	Table by amount, by customer type
Quantity of RNG sold	By customer type
Revenue of RNG sold	By customer type
Overhead expenses	Marketing and Administration
Carbon intensity for the RNG Tariff program	Average
GHG emissions reductions	MTCO ₂ e
Summary of all PAG meetings held each quarter, and dates on which meetings were held	
Participant stakeholders of each meeting, individual topics discussed, and any votes held on action items	
PAG recommendation(s) that the Utilities did not implement, including a list of the recommendation(s) and an explanation of why the Utilities do not adopt PAG's recommendations	
RNG SOURCES	
Name	
City/State	Or nearest town
Years in Operation	
Feedstock of source	
Carbon intensity for the source	
Volume purchased	
Cost per Therm	

Table 5: List of Advice Letters

OP1	Tier	Subject	Utility	Frequency	Due Date
(a)	1	i) The Utilities' Decision on Pilot Program Implementation ii) Establishment of Two-Way RNG Tariff Balancing Accounts	SoCalGas SDG&E	One-Time	Within six months from the issuance of the decision on A.19-02-015.
(b)	3	i) Modified GREET Methodology	The Utilities Jointly	One-Time	Within 12 months from the Utilities' submission of the Tier 1 ALs in OP1(a) above.
	2	ii) Voluntary Pilot RNG Tariff Program Implementation	SoCalGas SDG&E		
	2	iii) Marketing Materials	SoCalGas SDG&E or the Utilities Jointly		
(c)	1	Dairy RNG Suppliers' Compliance with Air and Water Pollution Control Standards or Requirements	The Utilities Jointly	Annual	Same time as SoCalGas' last Quarterly Commission Report each year.
(d)	2	Third-Party Verification Regarding Utilities' Compliance with RNG Procurement Requirements	SoCalGas SDG&E		Within 45 days of each one-year anniversary from the program initiation date during the program duration.
(e)	3	Program Modifications	SoCalGas SDG&E	[at the Utilities' Discretion]	na
(f)	3	Program Review and Approval for Continuation	SoCalGas SDG&E	One-Time	Third-Year Anniversary from the Program Initiation Date

[Note: OP1 refers to Ordering Paragraph 1 of the decision on A.19-02-015]

(End of Appendix A)

APPENDIX B

APPENDIX B

Abbreviations, Acronyms, and Definitions

A.	Application
Additionality	The use of a biomethane source that was not previously being captured for use as RNG.
AECA	Agricultural Energy Consumers Association
AL	Advice Letter
Applicable Standards for Out-of-State RNG Supplies	As defined in 17 CCR Section 95852.1.1: RNG eligible for the biomethane exemption requirements set in the Mandatory Reporting of Greenhouse Gas Emissions ("MRR") and Cap-and-Trade Regulation, including that the RNG must be either: (A) an increase in the biomass derived fuel production capacity, at a particular site, where an increase is considered any amount over the average production at that site over the last three years; or (B) recovery of the fuel at a site where the fuel was previously being vented or destroyed for at least three years or since commencement of fuel recovery operations, whichever is shorter, without producing useful energy transfer.
BAC	Bioenergy Association of California
Biogas	Gas resulting from the decomposition of organic matter under anaerobic conditions. The principal constituents are methane and carbon dioxide. (https://www.epa.gov/lmop/renewable-natural-gas)
Cap-and-Trade Regulation	California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/cap-and-trade-regulation)
Cal Advocates	Public Advocate's Office of the Public Utilities Commission (Senate Bill 854 (Stats. 2018, Ch. 51, codified by Pub. Util. Code Section 309.5(a)), referred to as The Commission's Public Advocates Office
CARB	California Air Resources Board
CCR	California Code of Regulation
CUE	Coalition of California Utility Employees
D.	Decision
EDF	Environmental Defense Fund
FF&U	Commission authorized franchise fees and uncollectible expenses.

GHG	Greenhouse Gas
GRC	General Rate Case
REET	Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation methodology for the LCFS program.
GTSR	Green Tariff Shared Renewables
IT Costs	Information Technology costs. The Utilities' computer system programming costs to build website tools and modify its billing and customer information systems.
JCMS	Joint Case Management Statement
LC	Leadership Counsel for Justice and Accountability
LCFS	Low Carbon Fuel Standard Under the AB 32 (Stat. 2006, Ch. 488) Scoping Plan, CARB identified the LCFS as one of the nine discrete early action measures to reduce California's GHG emissions that cause climate change. The LCFS is a program designed to decrease the carbon intensity of California's transportation fuel pool and provide an increasing range of low-carbon and renewable alternatives, which reduce petroleum dependency and achieve air quality benefits. (https://ww2.arb.ca.gov/our-work/programs/low-carbon-fuel-standard) The LCFS regulation is governed by 17 CCR Sections 95480-95503. The current LCFS regulation can be found at: (https://ww2.arb.ca.gov/sites/default/files/2020-07/2020_lcfs_fro_oal-approved_unofficial_06302020.pdf .)
M-RETS	Midwest Renewable Energy Tracking System
MRR	Mandatory Reporting of Greenhouse Gas Emissions
MTCO ₂ e	Metric Tons of Carbon Dioxide Equivalent
Non-Settling Parties	Five non-settling parties raised specific issues: CUE, TURN, LC, SC, and Wild Tree. Four parties took no position on the Settlement Agreement: PG&E, SCE, the Association of Bay Area Governments, and Seahold, LLC.
PG&E	Pacific Gas and Electric Company
Pilot Program Timeline	<u>Program Initiation</u> : The date of the Utilities' first customer bill for participation in the program <u>Pilot Period</u> : Three years from the program initiation date. <u>Program Review</u> : Submission of a Tier 3 AL at the end of the pilot period. <u>Termination Date</u> : Two years from the Commission's decision if the continuation of the pilot program is not approved.

	<p><u>Program Duration:</u> From the initiation to termination dates. The pilot program duration may slightly exceed five years (three pilot, the program review period, plus two transition years)</p>
RNG	<p>Biogas that has been upgraded for use in place of fossil natural gas by removing water and other harmful contaminants that cause odor and pollution such as sulfur and carbon dioxide.</p> <p>The biogas used to produce RNG comes from a variety of sources, including municipal solid waste landfills, digesters at water resource recovery facilities (wastewater treatment plants), livestock farms, food production facilities and organic waste management operations.</p> <p>RNG end uses include vehicle fuel, electricity generation, and utility gas services through local use or pipeline injection. (https://www.epa.gov/lmop/renewable-natural-gas)</p>
RNGC	Coalition for Renewable Natural Gas
RNGTBA	<p>Renewable Natural Gas Tariff Balancing Account</p> <p>A two-way balancing account for recovery of the costs of RNG procurement and administrative costs.</p>
SB	Senate Bill
SB 1440	<p>Stat. 2018, Ch. 739, Sect. 1, codified by Pub. Util. Code Sections 650-651 (Effective January 1, 2019)</p> <p>SB 1440 requires the Commission, in consultation with CARB, to consider adopting specific biomethane procurement targets or goals for each gas utility.</p>
SC	Sierra Club
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
Settling Parties	The Utilities, AECA, BAC, Cal Advocates, EDF, RNGC, and SFE
SFE	SFE Energy California, Inc.
SLCP	<p>Short-Lived Climate Pollutants</p> <p>SLCP are powerful climate forcers that have relatively short atmospheric lifetimes. These pollutants include the greenhouse gases (GHG) methane and hydrofluorocarbons (HFC), and anthropogenic black carbon. Because SLCP impacts are especially strong over the short term, acting now to reduce their emissions can have an immediate beneficial impact on climate change and public health.</p> <p>(https://ww2.arb.ca.gov/our-work/programs/slcp)</p>
SoCalGas	Southern California Gas Company

TURN	The Utility Reform Network
Utilities	SoCalGas and SDG&E
Wild Tree	Wild Tree Foundation
Wind Down Costs	Costs not recovered from program participants during the program in the event that the program is terminated at the end of five years. Wind down costs include unrecovered non-IT costs, e.g., administrative and marketing and RNG procurement costs.

(END OF APPENDIX B)