

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

**ENERGY DIVISION**

**AGENDA ID# 23913**  
**RESOLUTION G-3617**  
**January 15, 2025**

**R E D A C T E D**  
**R E S O L U T I O N**

Resolution G-3617. Partially approving Southwest Gas Corporation's Advice Letter 1338-G, submitting contracts in fulfillment of Renewable Gas Standard biomethane procurement targets established in D.22-02-025 pursuant to the requirements of Senate Bill 1440 (Hueso, 2018).

**PROPOSED OUTCOME:**

- Conditionally approves biomethane procurement contract with Anew Climate (Anew) proposed in Southwest Gas Corporation's Advice Letter 1338-G.
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**SAFETY CONSIDERATIONS:**

- There are no safety considerations associated with this resolution.

**ESTIMATED COST:**

- Actual costs are confidential at this time.
- \$0 (minimum delivery volume) - \$ [REDACTED] (maximum delivery volume) per year, leading to a total contract cost of \$0 - \$ [REDACTED] over 7 years.

By Advice Letter 1338-G, filed on July 29, 2025.

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**SUMMARY**

This resolution addresses Southwest Gas Corporation (SWG) Advice Letter (AL) 1338-G, filed on July 29, 2025, which requests California Public Utilities Commission (CPUC or Commission) approval of one biomethane procurement contract pursuant to the Renewable Gas Standard (RGS), as established in Decision (D.) 22-02-025.<sup>1</sup>

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<sup>1</sup> D.22-02-025, OP 17.

Table 1: General Project Information

Project	Process	Carbon Intensity (gCO2e/MJ)	Expected CI (gCO2e/MJ)	Location	Delivery Point	Expected Delivery Date	Contract Term (years)
Anew Victor Valley	Wastewater co-digestion	████ to █████	████	Victor Valley, CA	Victor Valley	Upon contract approval	7

Table 2: Procurement Volumes

Project	Min. Volume (Dth/day)	Min. Volume (Dth/yr)	Min. Volume (% of 2025 Target)	Min. Volume (% of 2030 Target)	Max Volume (Dth/day)	Max. Volume (Dth/yr)	Max Volume (% of 2025 Target)	Max Volume (% of 2030 Target)
Anew Victor Valley	0	0	0%	0%	████	████	████%	████%

Table 3: Procurement Costs

Projects	Price (\$/MMBtu)	Effective Above Market Price	Min Annual Cost	Max Annual Cost	Min Total Cost	Max Total Cost	\$/Ton
Contract Values	████	████	\$0M	████	\$0M	████	████
Contract Actual Cost to Ratepayers**	████	████	\$0M	████	\$0M	████	████

Biomethane procured pursuant to the Anew Climate (Anew) contract would be derived from wastewater co-digested with the type of diverted organic waste that could otherwise be landfilled, satisfying Senate Bill (SB) 1383 (Lara, 2016) compliance requirements, and therefore qualifies for procurement toward meeting the short-term target established in D.22-02-025.<sup>2</sup> However, there are several elements in the contract that create unacceptable risk for ratepayers and will need modification that satisfies the requirements described in this resolution for conditional approval. Per the proposed contract, SWG would be required to procure up to the maximum volume if it is

<sup>2</sup> Id., OP 14.

\* Values differ between SWG service territories.

\*\* Average contract costs after accounting for above-market price and subtracting avoided Cap-and-Trade compliance costs and the potential value of Environmental Attributes based on the Cap-and-Trade GHG Forward Price.

delivered, with the option to procure excess delivered biomethane without additional Commission approval (see “Discussion” section of this resolution for the Commission’s response to this issue). The contract’s expected carbon intensity (CI) value of the project is █ gCO<sub>2</sub>e/MJ, with a “balanced” (equal production from wastewater and diverted organic waste) CI of █ and a “Worst-case Historical” CI of █. There are no specific penalties for the delivered biomethane not meeting any of these CIs (see “Discussion” section of this resolution), the CI will only be monitored and reported to SWG.

This resolution conditionally approves SWG’s contract with Anew, with required modifications described later in this resolution.

Confidential information about the contract should remain confidential. This resolution finds that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583, General Order (G.O.) 66-D, and D.21-09-020 should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future biomethane solicitations.

## **BACKGROUND**

D.22-02-025 directed the adoption of the RGS program and established biomethane targets for the California gas IOUs, satisfying SB 1440’s requirement of exploring establishment of biomethane targets for California IOUs. The IOUs procure biomethane to meet those targets as part of the RGS program through market solicitations.

Southwest Gas Corporation’s Advice Letter 1338-G was submitted to the Commission as part of RGS procurement.

SWG, as well as the other Utilities, established a Procurement Advisory Group (PAG), as required by D.22-02-025,<sup>3</sup> and meetings were held to update PAG members on solicitation details as the process moved forward. The PAG was made up of the following members:

- Commission Energy Division Staff
- Public Advocates Office of the Commission
- Environmental Defense Fund
- Sierra Club
- Earth Justice

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<sup>3</sup> Id., OP 29.

SWG rolled out their procurement solicitation in accordance with D.22-02-025 on the following schedule:

Event	
<b>October 24, 2023</b>	RFP Issued
<b>January 12, 2024</b>	Response Submission with completed Project Information Form
<b>February 20, 2024</b>	PAG Meeting reviewing submitted bids
<b>February 23, 2024</b>	Shortlisted Respondents Notified
<b>March 29, 2024</b>	Selection Process Completed
<b>June 2, 2024</b>	PAG Meeting reviewing final shortlisted projects
<b>July 28, 2025</b>	Tier 3 Advice Letter Submitted for Commission Approval

The solicitation bids were evaluated and ranked by SWG according to the SBPM. The resulting short list and, after consultation with PAG members, subsequent negotiations yielded the contract currently under consideration in AL 1338-G.

### **NOTICE**

Notice of AL 1338-G was sent by SWG to SWG's General Order (GO) 96-B service list and the CPUC's service list for R.13-02-008 on July 28, 2025.

### **PROTESTS**

AL 1338-G received no protests.

### **DISCUSSION**

The only comment filed in response to SWG AL 1338-G was a letter of support submitted by the Coalition for Renewable Natural Gas (CRNG) on August 15, 2025. CRNG states that it supports the approval of the AL because it helps SWG meet its targets in accordance with D.22-02-025 and SB 1440, supports organic waste diversion from landfills, and secures near-term methane reductions to decarbonize the gas distribution system in California.

The contract in SWG AL 1338-G adheres to the requirements of the short-term target established in D.22-02-025 as a co-digestion project based on diverted organic waste and wastewater feedstocks.<sup>4</sup> It also adheres to all SB 1440 requirements for biomethane delivered through a dedicated pipeline.<sup>5</sup> The contract advances the State's and Commission's broader decarbonization goals by decarbonizing the pipeline system and displacing fossil gas.<sup>6</sup> The contracted biomethane is determined to be cost-effective, as defined by D.22-02-025<sup>7</sup>, by falling within the range of the social cost of carbon at an avoided carbon equivalent cost of \$ █/ton, and provides significant environmental benefits to ratepayers with an avoided carbon equivalent annual maximum of █ tons.

However, the contract has three elements that increase the risk to ratepayers and could result in rates that are not just and reasonable.<sup>9</sup> First, it does not include requirements for CI to guarantee the avoided carbon equivalent emissions that encapsulate the majority of the value of this investment for ratepayers. Second, the contract has language that allows procurement above the maximum delivery volume that would be approved in this contract without approval from the Commission, which puts ratepayers at risk of spiraling procurement costs. The Commission must approve changes to the contract and therefore denies approval of this provision. Third, the contract does not contain a minimum procurement volume. This failure puts ratepayers at risk of receiving none of the benefits of this contract and SWG at risk of not meeting any portion of its targets if Anew delivers zero biomethane as allowed in the contract.

- Thus, to protect ratepayers from these risks, we approve this contract with conditions. The conditions are as follows:
  - No biomethane can be procured as part of the RGS beyond the approved maximum contract volume:
    - Any additional biomethane procurement requires Commission approval through another advice letter process in accordance with RGS requirements.
  - A reasonable minimum delivery volume must be established:

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<sup>4</sup> D.22-02-025 OP 14.

<sup>5</sup> California Public Utilities Code 650, 651(b)(3)(A)

<sup>6</sup> SB 1440 (Hueso, 2018); SB 1383 (Lara, 2016); California Air Resources Board, 2022 Scoping Plan for Achieving Carbon Neutrality at 8, 212, and 215.

<sup>7</sup> D.22-02-025 OP 6.

<sup>8</sup> 2023 EPA Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances, Table 4.1.1.

<sup>9</sup> Public Utilities Codes 451, 701.

- As part of the contract, Anew must be required to deliver a reasonable minimum delivery volume of biomethane. This minimum volume should represent a significant amount of the maximum delivery volume. This requirement is designed to ensure that ratepayers benefit from the biomethane procurement and associated methane abatement. This minimum volume can be based on a daily, monthly, or yearly delivery volume to allow flexibility for planned and unplanned maintenance or difficulty accessing feedstocks for limited periods of time.
- Biomethane below a certain carbon intensity threshold would be priced successively lower:
  - Language must be added to the contract reducing the price of the procured biomethane for biomethane delivered with a CI above █. The price reduction must reflect the reduced value of the biomethane to ratepayers in terms of \$/ton of avoided carbon. Each increasing point of carbon intensity shall have specific established stepped prices (i.e. hypothetically for example, biomethane with a CI of 1 has a lower price than that with a CI of 0, a CI of 2 would have a lower price than a CI of 1, and so on). These values can be based on CI averages over a month or a year, giving the biomethane producer the flexibility to navigate short-term challenges, such as difficulty accessing feedstock, and deliver biomethane with a maximum average carbon intensity of █ with no penalties, as originally envisioned by the contract. An upper bound carbon intensity of █ for delivered biomethane must also be established that triggers termination of the contract if the bound is reached or exceeded for a specific time period such as a year. The stepped prices based on carbon intensity mentioned above must be specified all the way up to the upper bound. This requirement ensures that the biomethane is delivered with the contracted CI or better to secure associated benefits for ratepayers.

SWG must submit a Tier 2 AL detailing the specific contract modifications and additions that satisfy these requirements, along with the full revised contract and references to each modification in the contract.

## COMMENTS

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review. Please note that comments are

due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and was placed on the Commission's agenda no earlier than 30 days from its mailing date.

## **FINDINGS**

1. The Anew contract proposed by SWG in AL 1338-G adheres to all of the requirements for the short- and medium-term Renewable Gas Standard (RGS) targets, as defined in D.22-02-025, except for those set forth in finding 3 below.
2. The Anew contract proposed by SWG in AL 1338-G is a competitively priced contract in the current biomethane market to deliver value to ratepayers and support SB 1383 implementation.
3. There are three issues in the contract that cause unacceptable levels of risk for ratepayers and therefore require modification and satisfaction of conditions:
  - A. Biomethane above the maximum volume can be procured at the discretion of SWG with no additional Commission approval.
  - B. There is no minimum delivery volume.
  - C. There are no clear stipulations or consequences for the biomethane producer if the delivered biomethane has a carbon intensity above a given threshold.
4. Certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-D, and considered for possible disclosure, should not be disclosed. Accordingly, the portions marked "[REDACTED]" in the redacted copy, should not be made public upon Commission approval of this resolution.

## **THEREFORE, IT IS ORDERED THAT:**

1. Southwest Gas Corporation's proposed contract with Anew Climate is approved subject to the following modifications detailed in discussion section of this decision:
  - a. No biomethane can be procured as part of the RGS beyond the approved maximum contract volume.
  - b. A reasonable minimum delivery volume must be established.

- c. Biomethane below a certain carbon intensity threshold shall be priced successively lower.
- 2. Advice Letter 1338-G (Southwest Gas Corporation) is approved with the conditions set forth herein.
- 3. Southwest Gas Corporation shall file a Tier 2 Advice Letter with the modified Anew Climate contract within 30 days of the effective date of this resolution.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on January 15, 2026; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added  
upon adoption of the resolution

Dated January 15, 2026, at San Francisco, California.