

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3617

March 19, 2026

REDACTED
RESOLUTION

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.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- Actual costs are confidential at this time.
- \$ [REDACTED] (minimum delivery volume all years) - \$ [REDACTED] (maximum delivery volume first year), \$ [REDACTED] maximum delivery volume second year) and \$ [REDACTED] (maximum deliver volume subsequent years), leading to a total contract cost of \$ [REDACTED] - \$ [REDACTED] over [REDACTED] years.

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

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.) 22-02-025.¹

Table 1: General Project Information

Project	Process	Carbon Intensity (gCO ₂ e/MJ)	Expected CI (gCO ₂ e/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	█

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	█	█	█%	█%	█	█	█%	█%

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	█	█	█	█	█	█	█
Contract Actual Cost to Ratepayers**	█	█	█	█	█	█	█

Table 4: Max Ratepayer Bill Impact***

Year	First Year	Second Year	Peak Year (cumulative)	Annual Average over Contract
2026-2033	█%-█%	█%-█%	█%-█%	█%-█%

*Values Average differ between SWG service territories.

** Average contract costs after accounting for above-market price.

*** Above-market costs; ranges across all SWG service territories.

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

¹ D.22-02-025, OP 17.

requirements, and therefore qualifies for procurement toward meeting the short-term target established in D.22-02-025.² 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. The initial proposed price was also uncompetitive and will be capped. The initial maximum procurement volumes will also be phased in to limit ratepayer impacts. These elements establish the minimum requirements for Commission approval.

Per the proposed contract, SWG would be required to procure up to the maximum volume if it is 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 ■■■ gCO₂e/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. SWG’s comments submitted in response to the draft resolution are also addressed in this resolution revision.

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. SWG’s AL 1338-G was submitted to the Commission as part of RGS procurement. SWG, as well

² Id., OP 14.

as the other Utilities, established a Procurement Advisory Group (PAG), as required by D.22-02-025,³ 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

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

Event	
October 24, 2023	RFP Issued
January 12, 2024	Response Submission with completed Project Information Form
February 20, 2024	PAG Meeting reviewing submitted bids
February 23, 2024	Shortlisted Respondents Notified
March 29, 2024	Selection Process Completed
June 2, 2024	PAG Meeting reviewing final shortlisted projects
July 28, 2025	Tier 3 AL 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.

³ Id., OP 29.

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.⁴ It also adheres to all SB 1440 requirements for biomethane delivered through a dedicated pipeline.⁵ The contract advances the State's and Commission's broader decarbonization goals by decarbonizing the pipeline system and displacing fossil gas.⁶ By capping the approvable contract price at \$█/MMBtu, the above-market costs of the contracted biomethane is determined to be cost-effective, as defined by D.22-02-025⁷, 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. To avoid excessive sudden ratepayer increases, the first-year volume will be limited to █% of the maximum, and the second-year volume will be limited to █% of the maximum.

However, the contract has three additional elements that increase the risk to ratepayers and could result in rates that are not just and reasonable.⁹ 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

⁴ D.22-02-025 OP 14.

⁵ California Public Utilities Code 650, 651(b)(3)(A)

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

⁷ D.22-02-025 OP 6.

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

⁹ Public Utilities Codes 451, 701.

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 AL process in accordance with RGS requirements.
 - SWG requested in their comments on the draft resolution that a Tier 2 AL process be used for biomethane procurement above the maximum contracted volume. The Commission declines to adopt that request and requires that any additional volumes above the maximum contracted amount from existing RGS projects follow the established RGS process, which would be a Tier 3 AL in this case.
- A reasonable minimum delivery volume must be established:
 - 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.
 - In comments, SWG suggested a minimum procurement volume of 20% of the maximum procurement volume as averaged over a year. The Commission requires the minimum procurement volume to be █% of the maximum procurement volume averaged over █ in this specific case.
- 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 requested a system of penalties and cancellation based on a carbon intensity threshold of ■ instead of the stepped pricing system described above. The Commission rejects SWG's request for penalties and instead requires the stepped pricing system based on the carbon intensity thresholds of ■ for stepped pricing and ■ for cancellation, as described above.

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 resolutions must be served on all parties and are subject to at least 30 days of public review and comment. The original draft of this resolution was mailed to parties on December 11, 2025, for a 30-day public review and comment period. One comment was received, from Southwest Gas Company.

A subsequent revision to this resolution incorporates substantive modifications to the contract price and procurement volumes. Accordingly, this resolution is being recirculated to provide parties an opportunity to comment on those changes.

Public Utilities Code Section 311(g)(2) provides that the otherwise applicable 30-day review period and 20-day comment period may be reduced or waived upon stipulation of all parties to the proceeding. Consistent with Section 311(g)(2) and Rules 14.2 and 14.6(b) of the Commission's Rules of Practice and Procedure, the parties directly involved in this resolution have stipulated to an abbreviated 10-day comment period for public review and comment on the substantive modifications reflected in the subsequent revision to the resolution. The shortened comment period is intended to avoid further delay to the biomethane producer while still affording parties notice and an opportunity to comment on the revisions.

The only comments received in response to the initial draft resolution, issued December 11, 2025, were from SWG. SWG made several suggestions and requests:

- Procurement above the maximum contract volume should be approved by Tier 2 AL instead of Tier 3 AL.
- Minimum delivery volumes should be set at 20% of maximum contract volumes and as an annual "target", with reporting and explanation, instead of a requirement.
- Penalties and fees could be instituted to ensure delivered biomethane carbon intensity for ratepayers instead of the "stepped price" approach outlined in the draft resolution.
- A maximum carbon intensity threshold of -5 should be used.

The Commission does not allow additional procurement above the maximum volume to be procured via Tier 2 AL. The standard RGS procurement process shall be followed for both initial contracts and procurement volume expansions, which in this case is with a Tier 3 AL due to its price in accordance with D.22-02-025.

The resolution has been revised to include a minimum delivery volume of █% of the maximum delivery volume averaged over █ for this contract. We decline to allow this requirement to be set as a "target" without contractual enforcement for the reasons already stated in this resolution.

The Commission is not persuaded that if carbon intensities exceed a certain threshold, penalties and fees would be more effective in protecting ratepayers than the "stepped price" approach outlined in the draft resolution. We preserve the "stepped price" approach in this resolution.

We decline to allow -5 to be the initial contracted threshold for penalties and cancellation. We instead preserve the maximum carbon intensity threshold of █, defined as the "future estimated carbon intensity" in the AL, which shall be used as the initial highest carbon intensity for procurement without stepped pricing reductions. █ shall be used as the maximum threshold for contract cancellation.

The only comments received in response to the re-circulation of the draft resolution following the addition of the substantive changes on price and volume, issued March 2, 2026, were from SWG. SWG states that figures in Tables 3 and 4 are based on market factors, such as forecasted natural gas prices, outside of SWG's control. Additionally, SWG clarifies that they applied the SBPM and went through the standard solicitation process in presenting this contract to the Commission, including assessment of the cost effectiveness of each biomethane project for ranking purposes in the solicitation process.

The Commission acknowledges SWG's comments and understands that future estimates of above-market costs will be reported more precisely based on real world factors in the Biomethane Annual Report.

FINDINGS

1. The Anew contract proposed by Southwest Gas Corporation in Advice Letter 1338-G adheres to all of the requirements for the short- and medium-term Renewable Gas Standard targets, as defined in D.22-02-025, except for those set forth in the findings below.
2. With the new price cap imposed pursuant to this resolution, the Anew contract proposed by Southwest Gas Corporation in Advice Letter 1338-G is a competitively priced contract in the current biomethane market to deliver value to ratepayers and support SB 1383 implementation.
3. The phased-in approach of limiting procurement volumes in the first two years will protect ratepayers from sudden excessive rate increases.
4. There are three additional 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 Southwest Gas Corporation 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.
5. A minimum procurement capacity of [REDACTED] % of the maximum procurement capacity averaged over [REDACTED] is reasonable in this case.
6. 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 to ensure that market sensitive data does not influence the behavior of bidders in future biomethane solicitations.

7. 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. A contract price cap of [REDACTED]/MMBtu is established.
 - b. A maximum procurement volume of [REDACTED]% of the maximum is established for the first year of the contract. A maximum procurement volume of [REDACTED]% of the maximum is established for the second year of the contract.
 - c. No biomethane can be procured as part of the Renewable Gas Standard beyond the approved maximum contract volume.
 - d. A reasonable minimum delivery volume of [REDACTED]% of the maximum delivery volume averaged over [REDACTED] must be established.
 - e. 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 March 19, 2026; the following Commissioners voting favorably thereon:

/s/ LEUWAM TESFAI
Leuwam Tesfai
Executive Director

JOHN REYNOLDS
President

DARCIE L. HOUCK
KAREN DOUGLAS
MATTHEW BAKER
CHRISTINE HARADA
Commissioners

Dated March 19, 2026 , at Sacramento, California.