

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

Order Instituting Rulemaking to
Implement Dairy Biomethane Pilot
Projects to Demonstrate Interconnection
to the Common Carrier Pipeline System
In Compliance with Senate Bill 1383.

R.17-06-015
(Filed June 15, 2017)

**OPENING COMMENT OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) TO THE DRAFT SOLICITATION**

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Pursuant to the California Public Utilities Commission (Commission or CPUC) Energy Division's request at the January 31, 2018 Workshop on the Draft Solicitation (Workshop), Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) respectfully submit their Opening Comment on the Joint Utility Draft Solicitation for Senate Bill (SB) 1383 Pilot Projects (Draft Solicitation).

SoCalGas and SDG&E appreciate the efforts and inputs of all the stakeholders in this endeavor to develop a clear and successful solicitation for the SB 1383 Dairy Pilot Projects. While there were a number of important issues raised by the participants at the Workshop, in this Opening Comment, SoCalGas and SDG&E will focus on two important issues: (1) Reimbursement Mechanism for Applicant-Owned Pipeline Infrastructure; and (2) Return Lines on the Pipeline Laterals.

I. REIMBURSEMENT MECHANISM FOR APPLICANT-OWNED PIPELINE INFRASTRUCTURE.

While Decision (D.) 17-12-004 (Decision) defines the type of Applicant-Owned Pipeline Infrastructure that may be recovered from the transmission rates of utility ratepayers through a reimbursement to the dairy biomethane producers (biogas collection lines and the treatment equipment before the biogas enters the biogas collection lines), the Decision does not prescribe a set of conditions as to when the reimbursement payment is to be made by the utility to the dairy biomethane producer.¹

¹ D.17-12-004, p. 7.

SoCalGas and SDG&E recommend a milestone payment reimbursement structure for the Applicant-Owned Pipeline Infrastructure. This type of reimbursement structure where payments are only provided to the dairy biomethane producer after achieving certain predetermined milestones will promote the appropriate use of ratepayer funds. SoCalGas recommends the following reimbursement structure for Applicant-Owned Pipeline Infrastructure:

1. **Milestone Payment 1:** When a selected pilot project spends 35% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project may seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided to the gas utility where the selected pilot project is located. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
2. **Milestone Payment 2:** When the selected pilot project spends 70% of the approved bid amount for Applicant-Owned Pipeline Infrastructure, the selected pilot project can seek reimbursement of those costs by providing detailed vendor invoices and proof of payment(s) for materials/services provided the gas utility where the selected pilot project is located. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).
3. **Milestone Payment 3:** The final reimbursement payment to the selected pilot project will follow the 30 out of 40 days flow requirement as established in the Biomethane Monetary Incentive Program established in D.15-06-029, as modified by D.16-12-043:

Applicant to produce biomethane flow for 30 out of 40 days within the minimum and maximum measurement range of the meter. Applicant must declare in a written notice to the Utility at least two business days in advance, the specific start and end date of this 40 day testing period. The 30 out of 40 day requirement is extended 1 day for each day that the Applicant is unable to produce flow because of an interruption of delivery as set forth in Rule No. 23. Applicants may elect to restart the 40 day testing period by providing a new written notice declaring the new start and end dates at least two business days in advance of when the new 40 day testing period is to begin.

Once the 30 out of 40 days flow requirement is met, the selected pilot project must provide the gas utility where the selected pilot project is located with

detailed vendor invoices and proof of payment(s) for materials/services provided not to exceed the bid amount for Applicant-Owned Pipeline Infrastructure. The amount of reimbursement may not exceed the costs reflected by the invoices and proof of payment(s).

To the extent the selected pilot project incurs costs that exceed the bid amount for the Applicant-Owned Pipeline Infrastructure, the selected pilot project will submit the detailed vendor invoices and proof of payment(s) for materials/services to the Selection Committee for reasonableness review. Upon the Selection Committee's approval of the costs above the bid amount, the utility will reimburse the Selection Committee's approved amount to the selected pilot project.

II. THE SOLITICATION SHOULD CLARIFY THAT PIPELINE LATERALS INCLUDE THE RETURN LINE.

D.17-12-004 states “[t]he following components are eligible for funding: ... b. Pipeline lateral that delivers biogas from a biogas conditioning facility to the point of receipt.”² While this accurately reflects the overall function of the pipeline lateral, it is an overly narrow description of the pipeline lateral. There is an additional important component to the pipeline lateral which is the return line. In situations where the biomethane that leaves the central biogas conditioning and upgrading facility is transported to the point of receipt but the biomethane does not meet pipeline quality specifications, that biomethane is transported back to the inlet of the central biogas conditioning and upgrading facility to further clean and process the biomethane. Without the return line, the non-compliant biomethane will remain in the pipeline lateral until it is manually purged from the pipeline lateral by the biomethane producer. SoCalGas and SDG&E request that the Selection Committee require the return line to be included as part of the pipeline lateral in all pilot projects and the cost to design, construct and maintain the return line be included in all utility cost estimates and included as utility-owned Pipeline Infrastructure.

² D.17-12-004, Attachment A, p. 8.

