

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

Application of Southern California Gas
Company (U 904 G) and San Diego Gas &
Electric Company (U 902 G) for Renewable
Natural Gas Tariff.

Application 19-02-015
(Filed February 28, 2019)

**JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G), SAN DIEGO GAS &
ELECTRIC COMPANY (U 902 G), THE PUBLIC ADVOCATES OFFICE AT THE
CALIFORNIA PUBLIC UTILITIES COMMISSION, ENVIRONMENTAL DEFENSE
FUND, THE BIOENERGY ASSOCIATION OF CALIFORNIA, THE COALITION FOR
RENEWABLE NATURAL GAS, AGRICULTURAL ENERGY CONSUMERS
ASSOCIATION, AND SFE ENERGY CALIFORNIA INC.**

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April 13, 2020

TABLE OF CONTENTS

	<u>Page</u>
I. PROCEDURAL HISTORY	2
II. SUMMARY OF THE SETTLEMENT AGREEMENT	4
A. Summary of Key Changes from Original Proposal	5
B. Summary of Terms of Settlement.....	6
III. THE SETTLEMENT AGREEMENT IS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST.....	15
A. The Settlement Is Reasonable In Light of the Whole Record	16
B. The Settlement Is Consistent With The Law	17
C. The Settlement Is In The Public Interest	17
D. Cal PA Exclusion.....	18
E. The Settlement Should Be Adopted Without Modification	19
IV. CONCLUSION.....	20
APPENDIX A	

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Pursuant to Rule 12.1 of the California Public Utilities Commission’s (“CPUC” or “Commission”) Rules of Practice and Procedure, Southern California Gas Company (“SoCalGas”), San Diego Gas & Electric Company (“SDG&E,” and collectively with SoCalGas, “Applicants” or “Utilities”), the Public Advocates Office at the California Public Utilities Commission (“Public Advocates”), Environmental Defense Fund (“EDF”), The Bioenergy Association of California (“BAC”), The Renewable Natural Gas Coalition (“RNG Coalition”), Agricultural Energy Consumers Association (“AECA”), and SFE Energy California Inc. (“SFE Energy”) (collectively, the “Settling Parties”)¹ respectfully request that the Commission approve the *Settlement Agreement Among Southern California Gas Company, San Diego Gas & Electric Company, the Public Advocates Office at the California Public Utilities Commission, Environmental Defense Fund, The Bioenergy Association of California, The Renewable Natural Gas Coalition, Agricultural Energy Consumers Association, and SFE Energy California Inc.*

¹ In accordance with Rule 1.8(d), counsel for SoCalGas and SDG&E has been authorized by the other Settling Parties to file this Joint Motion on their behalf.

(“Settlement Agreement”) attached hereto as Attachment A, describing a proposed voluntary renewable natural gas tariff (“RNG Tariff”).

The Settlement Agreement represents the culmination of several months of discussions held among the Settling Parties during the period of late 2019 until the Settlement Agreement was executed by each of the Settling Parties on April 10, 2020. This Settlement Agreement leaves open one question of whether Applicants may request recovery of any costs not covered by program participants in a subsequent general rate case (“GRC”) or other appropriate proceeding or if costs should be borne by Applicants’ shareholders in the event the Applicants are ordered by the Commission to end the program (the “Wind Down Recovery Issue”).

The Settling Parties move the Commission to find the Settlement Agreement to be in the public interest, reasonable in light of the entire record, and consistent with the law.

In addition, the Settling Parties request that the Assigned ALJ supplement the formal record in this proceeding by entering the testimony of the Settling Parties, which has been served on all parties to the proceeding, but are not yet part of the record.

I. PROCEDURAL HISTORY

On February 28, 2019, Applicants filed the application in this proceeding (“Application”), laying out the details for an RNG Tariff. As set forth in the Application and accompanying testimony, the voluntary program would give the option to residential and small industrial and commercial customers to identify an amount of their monthly natural gas bill to be for the purchase of renewable natural gas (“RNG”) in lieu of traditional natural gas. To help residential customers more easily manage costs, the proposed voluntary program allowed for the option to identify a set dollar amount allocated to the purchase of RNG, while small industrial and commercial customers would be provided an additional option to purchase RNG as a percent of their monthly gas usage. The voluntary program as proposed gave broad flexibility in procurement and had an indefinite duration. Accompanying the Application were thirty letters of

support from commercial customers and organizations.² Protests and Responses were filed by BAC, TURN, Public Advocates, AECA, CUE, Southern California Edison, SFE Energy, and Sierra Club.

A prehearing conference was held on June 7, 2019. On August 6, 2019, a scoping ruling was issued, defining the scope of the proceeding as:

1. Whether or not the Commission should authorize SoCalGas and SDG&E to establish new, optional tariffs for residential and core commercial/industrial customers to be sourced with RNG.
2. What supply sources should be used under the program and where should they be located?
3. What contribution will the RGT [Renewable Gas Tariff] program have to the state's efforts to reduce GHG emissions?
4. What provisions are necessary to ensure the RGT program results in GHG reductions in CA that are maximized, verified, and not double-counted?
5. What benefits from the RGT program, if any, should be passed on to participating ratepayers?
6. What is the appropriate scope, content and target for a marketing program for the RGT program and how should it be funded?
7. Does the RGT program necessitate any infrastructure investments or safety improvements/enhancements?
8. Would approval of the RGT program have any potential adverse impacts on participating customers, non-participating customers, or core transport agents?
9. What is a reasonable budget and costs for the program, and how should those costs be tracked and allocated?

The Scoping Ruling also requested supplemental testimony on these particular topics, which was served by the Applicants on September 16, 2019. On October 14, 2019, several intervenors served testimony, including Public Advocates, The Utility Reform Network (“TURN”), EDF, AECA, RNG Coalition, Wild Tree Foundation (“Wild Tree”), and Sierra Club

² Additional letters of support were provided later. *See March 4, 2020 Prepared Second Supplemental Direct Testimony.*

and Leadership Counsel for Justice (jointly represented). On October 31, 2019, Applicants served rebuttal testimony, as did EDF, AECA, and Wild Tree. During the month of October, Applicants began reaching out to parties they believed could potentially be open to a settlement, and, as detailed below, a number of in-person negotiations took place.

On November 5, 2019, the proceeding was reassigned to Administrative Law Judge (“ALJ”) Scarlett Liang-Uejio. On November 13, 2019, ALJ Liang-Uejio issued a ruling taking off calendar the evidentiary hearings that had been scheduled for November 19-20, 2019. On February 19, 2020, ALJ Liang-Uejio issued a ruling requesting supplemental testimony on certain topics, which was served by Applicants on March 4, 2020. Public Advocates was the only party to serve rebuttal testimony on those topics on March 16, 2020. The February 19, 2020 ruling also requested that an updated joint case management statement be filed by March 23, 2020, with more particularity as to what issues in dispute were policy issues as opposed to contested issues of fact.

On March 10, 2020, Applicants served a notice on all parties of an all-party settlement meeting pursuant to Rule 12.1(b), which was held on March 17, 2020. On March 18, 2020, Applicants emailed ALJ Liang-Uejio, explaining that several parties had reached a settlement, and requesting that the March 23, 2020, joint case management statement deadline be extended to April 13, 2020. The ALJ granted the request on March 19, 2020.

II. SUMMARY OF THE SETTLEMENT AGREEMENT³

The Settling Parties seek Commission approval of the terms set forth in Attachment A, as summarized below.

³ This section provides summaries of the provisions of the Settlement Agreement. The Settling Parties do not intend to in any way replace or modify any of the provisions of the Settlement Agreement and emphasize that no inferences or interpretations should be made based on the summaries in this motion.

A. Summary of Key Changes from Original Proposal

The proposed RNG Tariff in the Settlement Agreement includes significant changes from the program originally proposed by Applicants in this proceeding. The three broadest are highlighted here.

First, although the program as originally proposed was indefinite in duration, the pilot program agreed to in the Settlement Agreement has a review period after three years to determine whether the program should continue or gradually end over the subsequent two years. As set forth in Section II of the Settlement Agreement, after the three-year anniversary of the program, SoCalGas and SDG&E will separately file Tier 3 Advice Letters providing details on the efficacy of the program. The advice letter will include a summary of the program's environmental benefits (i.e., GHG emissions reduction achieved), how RNG production has changed because of the program (if at all), customer involvement and satisfaction, and strategies on procuring incremental supplies from new RNG projects in California. GHG emission reduction shall be a primary consideration in the evaluation of program success. In the event it is decided by the Commission that the program should not continue, the Utilities will gradually end their programs over a two-year period following a decision.

Second, the program as originally proposed by Applicants included flexibility in the Utilities' procurement of RNG, but still required the RNG to be eligible for consideration under the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms ("Cap-and-Trade Regulation"). In the Settlement Agreement, the Settling Parties have agreed that the Utilities should meet certain minimum procurement goals, as described in Section IV.A.8. Under the Settlement Agreement, SoCalGas will procure at least 50% of RNG Tariff demand from in-state sources, of which at least half is from sources other than landfill gas. This requirement would assist in decreasing the carbon intensity (i.e., the amount of carbon by weight emitted per unit of energy consumed) of the overall portfolio while

recognizing that affordability will be a consideration for customers taking this optional tariff service. The average cost of the in-state RNG supply portfolio is subject to a limit of 200% of the average cost of the total out-of-state portfolio to meet RNG Tariff demand, based on RNG premium over and above index. That limit can rise to 250% in the event no in-state non-landfill RNG is available at the 200% limit. These changes will address certain concerns including, among others, facilitating increased in-state benefits of the program and that procurement addresses both GHG and Short-Lived Climate Pollutant (“SLCP”) emissions.

Third, in order to provide additional transparency and oversight for procurement, the Settlement Agreement also creates a “Procurement Advisory Group” (“PAG”) that, consistent with the Utilities’ biweekly procurement meetings, will consist of the Energy Division of the Commission, the Public Advocates, TURN and any other interested non-market participants subject to an appropriate non-disclosure agreement. The Utilities will consult with the PAG at several points identified throughout the Settlement Agreement, including prior to release of each solicitation for RNG supplies and selection of a supplier, prior to submission of the first annual report, and when there are changes to applicable standards affecting the program.

B. Summary of Terms of Settlement⁴

The Settlement Agreement appended to this Motion represents a compromise from the litigation positions of the various parties to the Settlement Agreement resulting from the extensive negotiations among the parties listed above. The following is a brief overview of the Settlement Agreement.

⁴ As with the above section, this section provides only a condensed summary of the provisions of the Settlement Agreement. The Settling Parties do not intend this summary to in any way replace or modify any of the provisions of the Settlement Agreement and emphasize that no inferences or interpretations should be made based on whether or not a particular provision is summarized in this motion.

Goals

The Settlement Agreement establishes the guidelines for the RNG Tariff that will be offered by SoCalGas, and later, SDG&E. The Settlement Agreement sets forth the goals of the settlement and the program: (1) to accelerate the use of renewable, low-carbon RNG and the development of RNG supplies in California and nationally, and (2) to reduce GHG and SLCP emissions in California.⁵

Program Availability

The program will be available to both Residential and Non-residential Procurement Customers, 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. Residential customers are only eligible for the monthly purchase amount. Three flat amounts (\$10, \$25, \$50), and four percentages (25%, 50%, 75%, 100%) shall be available at the start of the program. The Utilities can modify the levels of the offerings at any time. There will be a minimum commitment of one year for residential customers and two years for commercial customers.⁶

California Alternate Rates for Energy (“CARE”) customers are eligible to participate in the RNG Tariff but will not receive the CARE discount on monthly RNG charges. Instead, they will be able to elect a less expensive flat purchase amount that is 20% less than the cheapest amount available (e.g., CARE customers can elect to participate at \$8 if the lowest flat amount available is \$10).⁷

⁵ Settlement Agreement § I.C.

⁶ *Id.* at § V.

⁷ *Id.* at § V(B)(3).

RNG Charge

The RNG rate charged to customers for the RNG Tariff program will be charged on a per therm basis and will consist of an RNG Commodity Charge and a Program Charge. The Program Charge will be composed 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. The administration and marketing costs components of the Program Charge shall not exceed 30% of the RNG rate charge to customers for the RNG Tariff program.⁸

Enrollment

Customers enrolling in the program will have 60 days from their enrollment date during which they may 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. 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. The Utilities will 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. Residential customers, upon completion of the one-year commitment period, may re-enroll for another year (two years for commercial customers), 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 (90-day basis for non-residential customers).⁹

⁸ *Id.* at § V(G)(3).

⁹ *Id.* at § V(D).

The RNG Tariff program does not modify any aspect of the existing rules and processes for customer participation in the Utilities' Core Transportation Agent ("CTA") program.¹⁰

Requirements for Procured RNG

The RNG procured for the program will need to meet several requirements. Only biomethane for the RNG Tariff 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 shall be procured for the program. RNG from "purpose-grown crops" shall be excluded. RNG procured for the program shall have a lower carbon intensity than the carbon intensity of traditional natural gas, using a lifecycle analysis such as the Greenhouse Gases, Regulated Emissions, and Energy use in Transportation ("GREET") model used by the California Air Resources Board's ("CARB") under the Low Carbon Fuel Standard ("LCFS") program.¹¹ Utilities will not procure any supplies or attributes from sources contracted before January 1, 2012 to serve RNG Tariff customers, regardless of whether they would otherwise be eligible pursuant to 17 CCR § 95852.1.1.¹²

The RNG must also meet the biomethane exemption requirements set in the Mandatory Reporting of Greenhouse Gas Emissions ("MRR") and the 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.¹³ Changes to

¹⁰ *Id.* at § V(D)(11).

¹¹ *Id.* at § III(a).

¹² *Id.* at § IV(C)(3).

¹³ *Id.* at § III(A)(5).

standards governing RNG such as these shall be addressed by the Utilities via the filing of a Tier 2 Advice Letter.¹⁴

Procurement for the program has a minimum in-state requirement. SoCalGas will procure at least 50% of RNG Tariff demand from in-state sources, 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% of the average cost of the total out-of-state portfolio to meet RNG Tariff demand, based on RNG premium over and above index. Average costs shall be the mean price of all contracts used to meet demand within each portion (in-state and out-of-state) of the portfolio. After the first solicitation, if the PAG (see below) determines that in-state non-landfill RNG will be excluded from the procurement, then the PAG can decide to raise the in-state average cost limit up to 250% to accommodate in-state non-landfill supplies. If there are still no qualifying non-landfill offers, the remaining demand will be met with qualifying in-state landfill (up to the 250% average cost limit) until the next solicitation. In the event there are no qualifying in-state landfill offers in any instance, demand will be met with out-of-state RNG until the next solicitation.¹⁵

Procurement Advisory Group

The Utilities will discuss RNG procurement issues related to the RNG Tariff with a “Procurement Advisory Group” that, consistent with the Utilities’ biweekly procurement meetings, will consist of the Energy Division of the Commission, Public Advocates, TURN, and any other interested non-market participant subject to an appropriate non-disclosure agreement. The PAG will be consulted (1) prior to release of each solicitation for RNG supplies for the RNG

¹⁴ *Id.* at § III(A)(6).

¹⁵ *Id.* at § IV(A)(8).

Tariff, (2) prior to selection of an RNG supplier for the RNG Tariff, (3) prior to submission of the first annual report, and (4) as otherwise required by the terms of this agreement.¹⁶

Verification

The procured RNG will be verified in several ways. Utilities will retain an independent third-party verification company to verify that the RNG carbon intensity information provided by the RNG suppliers is consistent with the GREET methodology used by CARB to verify fuel pathways.¹⁷ Utilities will also use a third-party independent verifier to confirm the RNG supplies meet MRR and Cap-and-Trade regulations.¹⁸ Utilities will not generate nor sell Renewable Energy Credits (“RECs”) for purposes of the RNG Tariff.¹⁹ Participants that are “covered entities” under Cap-and-Trade (i.e., entities that are required to self-report to CARB directly) will be prohibited from also using the RNG Tariff to claim reduced emissions obligations under Cap-and-Trade rules.²⁰

Costs

Start-up costs for the program 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. The ongoing costs annually will include the continued development and distribution of marketing material, and annual administrative costs to manage the RNG Tariff program. Utilities anticipate that they 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. The SoCalGas RNG Tariff program will incur

¹⁶ *Id.* at § IV(D).

¹⁷ *Id.* at § IV(B)(3).

¹⁸ *Id.* at § IV(C)(2).

¹⁹ *Id.* at § IV(C)(4).

²⁰ *Id.* at § IV(C)(5).

approximately \$74,000 in labor charges during the first year of the program for costs including, but not limited to, managing the oversight of system designs and testing for the computer system upgrades, managing marketing collateral creation, overseeing the creation of new accounts and accounting cost tracking procedures, and training. After the second year, SoCalGas labor charges are estimated to decline to approximately \$47,000 annually, with a 3% average annual cost increase for the designated labor and non-labor expenses. These costs are estimated to be the same for SDG&E.

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. SDG&E estimates such costs will be \$40,000 annually. SoCalGas and SDG&E estimate they will each incur program certification fees of \$25,000 annually, and \$3,000 in travel and miscellaneous expenses per year for the first three years. 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 will be from existing capital budgets approved in SoCalGas's GRC. SDG&E will estimate IT costs and request recovery of capital funds in its next GRC proceeding following implementation of its new CIS.²¹

The Utilities will establish balancing accounts for costs of the program, which are described in detail in the Settlement Agreement, via Tier 1 Advice Letters.²²

Marketing and Education

Marketing, education and outreach materials will be submitted for review as a Tier 2 Advice Letter. The Utilities will integrate the promotion and enrollment in Energy Efficiency and Demand Response programs in all outreach and education. They will not state that RNG production cleans water or resolves odor issues and will explain that combustion of RNG still

²¹ *Id.* at § V(H).

²² *Id.* at § VI(A)(3).

produces GHG emissions and that lifecycle emissions may vary depending on feedstock, production and refinement methods. The RNG Tariff program does not prevent any Core Transportation Agent from marketing similar or competing products to new or existing customers. The Utilities will not use information gained from their Core Aggregation Transportation program to market the RNG Tariff program to CTA customers whose contracts are nearing the end of their term.²³

Online webpages for the program will show the current cost for the RNG Tariff program per therm and explain how customers can compare their current annual energy costs to their estimated energy costs under the RNG Tariff. The webpage will contain complete information about the program, including the terms and conditions of the program, a list of charges included in the RNG Tariff program rate, and details of the RNG purchased for the program including location (city and state), percentage of the overall portfolio for those sources, feedstock types and percentage, carbon intensity by feedstock, overall carbon intensity, and carbon intensity of traditional natural gas.²⁴

Residential education and outreach will include targeted marketing to residential or commercial buildings that have undergone recent energy efficiency or Energy Savings Assistance Program upgrades. Customers participating in the RNG Tariff shall be directed to the relevant energy efficiency audit and program offerings to promote enrollment in EE and DR programs.²⁵

Customers will receive annual email reports summarizing: amount of traditional natural gas purchased, amount of RNG purchased, cost of RNG purchased, annual GHG emission reduction, overall carbon intensity for the RNG Tariff, carbon intensity for traditional natural

²³ *Id.* at § VII.

²⁴ *Id.* at § VII(B).

²⁵ *Id.* at § VII(C).

gas, feedstock type percentage, source state by percentage for RNG Tariff, and other RNG news and updates.²⁶

Quarterly reports will also be provided to the Commission which will include: overall description of RNG Tariff program activity since the previous report, program participation, new customers enrolled, and customers dis-enrolled by customer type (residential or non-residential), number of customers (residential or non-residential) by each maximum RNG purchase amount, or in the case of some non-residential customers, by RNG purchase percentage, quantity and revenues from RNG sold by customer type, expenses incurred for marketing and administration, and GHG emission reductions achieved (and any other information requested by the Commission). Detailed information on RNG contracts will also be provided but submitted with confidentiality designation as appropriate, including RNG contracting suppliers, their primary location and years of operation, the volume of RNG purchased from them, their cost per therm, their carbon intensity score, and a notation of months when there was a shortfall in volume of RNG supply to meet demand.²⁷

Review Period

The RNG Tariff will be reviewed after three years via the submittal of a Tier-3 Advice Letter which includes several criteria, including: estimates of net GHG and SLCP emissions reductions achieved under the program, and reductions in the Cap-and-Trade obligations incurred by the Utilities; evaluation of new or additional production of RNG in state and nationally, if any, resulting from procurement activities to date; historic, current and projected future customer subscription levels; average premiums experienced by subscribers; the results of a qualitative survey of customer satisfaction (funded by the RNG Tariff program); a recommendation on strategies for procuring incremental supplies from new RNG projects in

²⁶ *Id.* at § VIII(A).

²⁷ *Id.* at § VIII(B).

California. At the time of the review, whether the program has resulted in reduced GHG emissions after three years should be a primary consideration on whether the program should continue. The Commission will decide based on the Tier-3 Advice Letter whether the program should continue, making the program essentially a pilot. If the Commission decides not to allow the program to continue, the RNG Tariff will wind down over the subsequent two years.²⁸

III. THE SETTLEMENT AGREEMENT IS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST

Rule 12.1(d) provides that, before approving a settlement, the Commission must determine that the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

The Commission has consistently recognized the “strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.”²⁹ This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.³⁰ Moreover, in assessing settlements the Commission evaluates the *entire* agreement, and not just its individual parts:

In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.³¹

Here, and as further explained below, Settling Parties submit that the settlement as a whole produces a just and reasonable outcome that satisfies the requirements of Rule 12.1(d).

²⁸ *Id.* at § II.

²⁹ D.88-12-083, p. 54; *see also* D.11-05-018, p. 16.

³⁰ D.92-12-019, pp. 7-8.

³¹ D.10-04-033, p. 9.

A. The Settlement Is Reasonable In Light of the Whole Record

One of the three Rule 12.1(d) criteria for approval of a settlement is that it be reasonable in light of the whole record.

The Commission recently summarized its considerations under this criterion in the context of a proposed settlement of a telecommunications application for a Certificate of Public Convenience and Necessity:

This proceeding includes a full record of filed documents, including but not limited to the Joint Motion and Settlement. The Settlement was reached after careful analysis of the issues by each party involved, all of whom are knowledgeable and experienced regarding telecommunications regulatory requirements. The Settlement includes detailed instructions regarding implementation of its terms.³²

The Settlement Agreement shares these characteristics. During this proceeding, substantial testimony has been submitted by many parties. Two separate ALJs have had the opportunity to request and have requested supplemental testimony on all of the issues identified in this proceeding, and additional topics relevant to the program. In total, the Applicants have submitted ten chapters of testimony from four separate witnesses. Eight other parties have submitted testimony as well, totaling eleven additional exhibits of testimony. A robust record has been developed on RNG generally, supply sources, potential benefits of the program, verification methodologies, and other topics. The Settling Parties request that the Assigned ALJ supplement the formal record in this proceeding by entering the testimony of the Settling Parties, which have been served on all parties to the proceeding, but are not yet part of the record.

Beginning on or about October, 2019, and through the execution of the Settlement Agreement on April 10, 2020, the Settling Parties (and other parties) engaged in extensive

³² *Re SP Licenses, Inc.*, D.17-03-005, pp. 5-6. *See also, Re Sierra Pacific Power*, D.06-08-024, p. 8: “Prior to the settlement, parties conducted extensive discovery, and served detailed testimony on the issues related to revenue requirement, marginal costs, revenue allocation and rate design.” *See also, Re Pacific Gas and Electric Co.*, (1991) 40 C.P.U.C.2d 301, 326.

negotiations and meetings to discuss each Settling Party's position. The involvement of the particular parties varied over time, but overall the settlement negotiations spanned approximately four months, with roughly eight group meetings (with most including the in-person option) and many more group and individual party calls to work through issues. Throughout these sessions, the parties devoted substantial time and effort to working collaboratively and to develop several compromise positions that would permit resolution of the disputed issues. The Settlement Agreement is a product of those efforts.

The Settlement Agreement represents the collective best efforts of the Settling Parties. Consistent with Rule 12.1, the parties to the Settlement agree that the Settlement Agreement results in "a mutually agreeable outcome to the proceeding." The Commission should find the Settlement Agreement reasonable in light of the record.

B. The Settlement Is Consistent With The Law

The Settling Parties are represented by experienced counsel and believe that the terms of the Settlement Agreement comply with all applicable statutes and prior Commission decisions, and reasonable interpretations thereof. In agreeing to the terms of the Settlement Agreement, the Settling Parties considered relevant statutes and Commission decisions and believe that the Settlement Agreement is fully consistent with those statutes and prior Commission decisions.

C. The Settlement Is In The Public Interest

The Commission has determined that a settlement that "commands broad support among participants fairly reflective of the affected interests" and "does not contain terms which contravene statutory provisions or prior Commission decisions" meets the "public interest"

criterion.³³ The Commission has recognized: “There is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.”³⁴

Here, a broad group of active parties representing nearly every interest in the proceeding have joined this motion and have signed the attached Settlement Agreement indicating that they believe the agreement represents a reasonable compromise of their respective positions and is in the public interest. In addition to the Applicants, the Settling Parties include customer advocates (Public Advocates and AECA), one of the world’s largest environmental organizations (EDF), representatives from different parts of the RNG industry (RNG Coalition and BAC), and a CTA representative (SFE Energy).

Moreover, nothing in the Settlement Agreement would jeopardize the public interest. The Settlement Agreement is the product of over four months of negotiations, including roughly eight group meetings and numerous emails and phone calls. The Settling Parties negotiated in good faith over this time, applying their expertise and collective judgment to a fulsome record. The Commission should find the Settlement Agreement to be in the public interest.

The Settlement Agreement, if adopted by the Commission, avoids the cost of further litigation, and frees up Commission and Settling Parties’ time and resources to focus on other proceedings.

D. Public Advocates’ Exclusion Of Wind Down Recovery Issue

The Settling Parties, while acknowledging the matters addressed in this Agreement, have agreed to fully resolve the issues set forth in this Proceeding, except for the Wind Down Recovery Issue. In the event that at the three-year review (*see* Section II.A, *supra*) the Commission determines to wind down the RNG Tariff program, it is possible that there could

³³ D.10-06-015, pp. 11-12, *citing* D.92-12-019, p. 7.

³⁴ *Re Pacific Gas and Electric Co.*, D.88-12-083, 1988 Cal. PUC LEXIS 886, 30 CPUC2d 189, 99 P.U.R. 4th 141, *citing*, *Datatronic Systems Corp. v. Speron, Inc.*, (1986) 176 Cal. App. 3d 1168, 1173-74.

remain some program costs that have not been fully covered during the roughly five years of the program. In that event, Applicants believe they should be permitted to seek recovery of any outstanding costs in a subsequent GRC proceeding, under the typical standards and presumptions applicable in such proceedings. It is Public Advocates' position that any program costs remaining after a program wind down must be borne by shareholders, without an option to seek recovery elsewhere. Parties will separately brief this issue.

E. The Settlement Should Be Adopted Without Modification

Though various terms of the Settlement Agreement are discussed separately in the summary above, the Settlement Agreement is presented as a whole, and Settling Parties request that it be reviewed and adopted as a whole. Each provision of the Settlement is dependent on the other provisions of the Settlement; thus, modification of any one part of the Settlement Agreement would harm the balancing of interests and compromises achieved in the Settlement. The various provisions reflect specific compromises between litigation positions and differing interests; in some instances, the proposed outcome reflects a party's concession on one issue in consideration for the outcome provided on a different issue. The proposed outcome on each issue is reasonable in light of the entire record. Accordingly, the Commission should consider and approve the Settlement as a whole, with no modification.

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IV. CONCLUSION

As shown herein, the Settlement Agreement is reasonable in light of the whole record, is consistent with law, is in the public interest, and should be approved by the Commission.

Respectfully submitted on behalf of SoCalGas and SDG&E,³⁵

By: /s/ Elliott Henry
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April 13, 2020

³⁵ In accordance with Rule 1.8(d), counsel for SoCalGas and SDG&E has been authorized by the other Settling Parties to sign this Joint Motion on their behalf.