SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY

APPLICATION FOR NATURAL RENEWABLE GAS TARIFF
(A.19-02-015)

(DATA REQUEST PUBLIC ADVOCATES OFFICE-A.19-02-015-SCG-001)

DATE RECEIVED: 4-11-19
DATE RESPONDED: 4-25-19

<u>QUESTION 1:</u>

The Prepared Direct Testimony of Grant Wooden estimates that: 1) SoCal Gas will incur approximately "$785,000 in computer programming costs prior to, and in the first year of program implementation to develop a program website with RNG [renewable natural gas] monthly cost estimation online software, programming costs to modify SoCal Gas's Customer Information System (CIS) to accommodate enrollment and reporting of the new customer offering, costs to modify the billing calculation programs and costs to modify bill presentment," and 2) "that it is not possible for SDG&E to estimate the costs to implement the RNG Rate in the new billing system at this time" and that SDG&E will gather cost estimates in early 2021 and include "capital costs to implement the IT changes be filed in their next General Rate Case" (Chapter 2, pp. 12-13).

a. Provide the basis for the estimated $785,000, including all workpapers and supporting materials.

b. Is the estimated $785,000 a one-time cost? Does SoCalGas anticipate any ongoing costs related to computer programming or CIS modifications? If so, please provide estimates of the ongoing costs, including all workpapers and supporting materials.

c. Explain why the timeline for SDG&E's CIS replacement program prohibits SDG&E from estimating the costs to implement the RNG Rate in the new billing system. Provide a description of the information necessary for SDG&E to be able to provide such estimate.

<u>RESPONSE 1:</u>

a. Please see the Attachment for Computer Programming Cost Estimates.

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b. Yes, this would be a one-time cost. SoCalGas has not identified the need for any ongoing costs for computer programming or CIS modifications.

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c. As authorized by the CPUC, SDG&E will be implementing its new SAP CIS system in 2021. The new CIS is currently being built out to support all of the required SDG&E business processes. In the interim, SDG&E will continue to use its legacy CIS and has frozen the old system from all but critical updates. As the new system is still in the process of being built out and is not "live" today, SDG&E cannot accurately provide an estimate for a new rate on the new future system. In addition, SDG&E does not currently have the personnel available to provide this type of analysis, as all business analysts are helping to support the build out of the new CIS.

When the new CIS is in place, SDG&E will gather various system requirements that includes (but is not limited to) calculations of gas used and what is billed as a portion of the residential customers' renewable gas subscription levels, calculations of the customers' conventional gas commodity costs based on usage (what portion is unsubscribed as renewable, apart from what is subscribed as renewable), addition of the flat fee charges added to residential customers' bills, and calculations of billable commodity under the renewable tariff for commercial customers based on a percentage of their usage.

QUESTION 2:

The Prepared Direct Testimony of Grant Wooden states that “the Utilities estimate that they will also incur approximately $50,000 in costs to modify the shared gas management system in order to accurately purchase, track, and report on RNG acquisition as a separate portfolio for the RNG Tariff Program” (Chapter 2, p. 13).

a. Provide the basis for the $50,000, including all workpapers and supporting materials.

b. Is the estimated $50,000 a one-time cost? Do the Utilities anticipate any ongoing costs related to the shared gas management system modifications? If so, please provide estimates of ongoing costs, including all workpapers and supporting materials.

c. Provide a description of the shared gas management system, including what components of the system are shared, and how costs are tracked, allocated, and recovered between the two Utilities.

d. Provide a description of the modifications that are necessary.

e. Will SDG&E’s CIS replacement system have any impact on the shared gas management system? Please describe the impacts.

RESPONSE 2:

a. The cost estimate was based on the previous effort to modify the Pinnacle Gas Management system to track and manage Carbon and LCFS transactions. We determined that similar functionality would be needed for RNG. The cost breakdown is approximately as follows:

Initial Costs	Year 1		
	Task	**Hours**	**Cost**
	Contracts/Entity	30	$ 1,500
	Physical Transaction Tracking	50	$ 2,500
	Scheduling	60	$ 3,000
	RNG/LCFS/RIN Tracking	140	$ 7,000
	Front Office Reporting	130	$ 6,500
	Payment Reconciliation	140	$ 7,000

	Back Office Reporting	130	$ 6,500
	Total		$ 34,000

Ongoing Costs	Starting Year 1		
	Task	**Hours**	**Cost**
	Contracts/Entity	20	$ 1,000
	Physical Transaction Tracking	20	$ 1,000
	Scheduling	20	$ 1,000
	RNG/LCFS/RIN Tracking	60	$ 3,000
	Front Office Reporting	60	$ 3,000
	Payment Reconciliation	40	$ 2,000
	Back Office Reporting	60	$ 3,000
	Total		$ 14,000

b. See Ongoing Costs listed in answer a. above.

c. The Gas Acquisition Department is not a shared service.[1] Pinnacle Gas Management System allows the Gas Acquisition Department to manage the purchase and sale of gas, schedule the flow of gas, manage secondary market transactions, track physical and financial positions, process invoices and approve payments to suppliers/pipelines. Labor and non-labor costs (including costs related to maintenance and support of the Pinnacle Gas Management System) associated with Gas Acquisition's procurement activities on behalf of SoCalGas and SDG&E core customers are collected through the core brokerage fee included in SoCalGas' Rate Schedule G-CP, "Gas Procurement for Core Customers," and SDG&E's Rate Schedule GPC, "Gas Procurement for Core Customers."

d. Modifications to the gas management system include: changes to the contract module for RNG contracts, a new entry area to track and manage RNG, any associated environmental attributes, modifications to the scheduling module for RNG transactions; and interface into the Accounting module for reconciliation/reporting and payments/invoices processing.

e. No.

[1] CPUC Decision 07-12-019 (Ordering Paragraph #4) authorized the consolidation of SoCalGas and SDG&E's core portfolios into one single gas portfolio managed by SoCalGas. As a result, Gas Acquisition procures natural gas for both SoCalGas and SDG&E core customers.

<u>QUESTION 3:</u>

The Prepared Direct Testimony of Grant Wooden describes estimated program costs. (Chapter 2, pp. 12-16). Please answer the following questions:

a. Do the cost estimates include investments to capital infrastructure needed to introduce RNG to the Utilities' pipeline NG? If yes, provide a description and amount of the capital infrastructure costs. If no, explain why not.

b. Are any other capital infrastructure investments necessary related to the Application? If yes, provide a description of the capital infrastructure investments needed, estimated costs, and identify previous authorization for cost recovery or future funding source.

<u>RESPONSE 3:</u>

a. No, the utilities have not identified any additional capital infrastructure investments necessary to introduce RNG to the utilities' pipeline at this time.

b. SDG&E has not provided computer automation upgrade estimates because of the new CIS being built and does not know at this time if the costs would be capital (it depends if, once they are determined, they fit the capitalization criteria).

QUESTION 4:

Do SoCalGas and SDG&E have funding that has been requested or authorized for any RNG projects? If so, for each project, provide:

a. A description of the project;
b. Location of the project;
c. Size of the project;
d. Resource type of RNG;
e. End-use of the RNG; and
f. Total cost of the project, including capital costs.

RESPONSE 4:

SoCalGas and SDG&E have been authorized to fund RNG projects through the SB 1383 Dairy Pilot Projects program. On December 3, 2018, the California Public Utilities Commission (CPUC), the California Air Resources Board (CARB), and the California Department of Food and Agriculture (CDFA) announced funding for six pilot projects in the San Joaquin and Sacramento Valleys designed to demonstrate the collection of biomethane from dairy digesters and its injection into natural gas pipelines. For more information, please see links below.

https://www.socalgas.com/regulatory/tariffs/tm2/pdf/5398.pdf
http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M246/K748/246748640.PDF
http://www.cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/Utilities_and_Industries/Energy/Energy_Programs/Gas/Natural_Gas_Market/FinalSelectionComScoreCardSum.pdf

For your awareness, SoCalGas has also been authorized to provide a Biomethane Monetary Interconnection Incentive. In 2015, pursuant to CPUC Decision 15-06-029, the CPUC adopted the biomethane interconnector monetary incentive program. The objective of the program is to encourage the development of biomethane projects that are interconnected to the utilities' gas pipeline systems. The initial incentive program contributed up to 50 percent of the interconnection costs, with a cap of $1.5 million per project. The statewide funding for the monetary incentive program is capped at $40 million.

On September 24, 2016, the interconnector monetary incentive program was modified when Gov. Jerry Brown signed AB 2313 into law. The senate bill increased the maximum funding for this incentive program to up to $3 million per project. This bill also allows for dairy cluster projects, defined as three or more dairies in close proximity, to include gathering line costs as a qualifying interconnection expense, and increases the maximum incentive for these projects to $5 million per project. For more information, please see the link below.

https://www.socalgas.com/smart-energy/renewable-gas/biomethane-monetary-incentive-program

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QUESTION 5:

Describe the experience SoCalGas and SDG&E have already with contracting for RNG.

a. Please provide a list of current RNG suppliers for SoCalGas and SDG&E, including annual volume supplied and primary location of operations (city, state).

b. Has SoCalGas or SDG&E reached out to any RNG suppliers regarding supply volumes and prices for the proposed RNG program? If so, what were the results?

RESPONSE 5:

a. SoCalGas has contracted for RNG to be matched with CNG dispensed at 36 CNG stations in the SoCalGas and SDG&E service territory with U.S. Gain, a marketer located in Appleton, Wisconsin. The estimated annual volume of RNG matched with our dispensed CNG is approximately 0.44 BCF.

b. SoCalGas has had preliminary discussions with several marketers concerning potential RNG supplies for non-NGV transportation uses. No firm price, volume or other details have been discussed.

QUESTION 6:

Provide any analysis, workpapers, plans, etc. regarding how SoCalGas and SDG&E will go about contacting and soliciting RNG from suppliers.

RESPONSE 6:

SoCalGas will be following existing procurement best practices, policies and procedures to contact, solicit and secure RNG from suppliers for the RNG Tariff. Gas Acquisition will also leverage knowledge gained from their recent experience administering a Request for Offers for delivery of RNG for its utility-owned CNG stations.

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QUESTION 7:

Will RNG be procured from existing facilities or new facilities?

RESPONSE 7:

SoCalGas plans to procure RNG that will be from new or “incremental sources” as defined by the California Air Resources Board in order to be eligible to reduce the greenhouse gas emissions reported by SoCalGas under the Cap-and-Trade program. See Cal. Code Regs. § 95852.1.1(a) for more information.

QUESTION 8:

The Prepared Direct testimony of Andrew Cheung, it states that “Gas Acquisition will optimize cost-effectiveness in its selection of RNG supplies for this program by balancing contract term with a diversity of RNG sources from within California and out-of-state." (Chapter 3, p. 3).

a. How will cost effectiveness be evaluated in solicitation of contracts?

b. Describe the cost effectiveness methodology that will be used.

c. Has SoCalGas or SDG&E determined any minimum amount of RNG procurement from within California?

d. Provide any analysis SoCalGas or SDG&E has done regarding availability and pricing of existing RNG supplies, including source locations.

e. Provide a detailed description of the criteria SoCalGas and SDG&E will each use to evaluate and choose the RNG supply.

RESPONSE 8:

a. SoCalGas’ Gas Acquisition department plans to source RNG at the lowest cost possible considering RNG source, contract duration, expected reliability and creditworthiness of supplier. Criteria for solicitation of RNG for the Green Tariff have not been developed at this time.

b. No specific cost minimization methodology has been developed at this time.

c. Applicants have not proposed a specific minimum as a criterion.

d. No such analysis has been done for the Green Tariff program yet. Applicants included references to research studies on the availability of supply in the Application A.19-02-015, chapter 3, section 2 – “Renewable Natural Gas Supply.”

e. See Response 8a.

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QUESTION 9:

The Prepared Direct Testimony of Andrew Cheung states that "Gas Acquisition expects that RNG suppliers will be more likely to accept a pricing structure that discounts the incentives available in the transportation sector in return for the advantages of contracting with an investor-owned utility." (Chapter 3, p. 3). Explain how the pricing structure will discount incentives available in the transportation sector. What specific incentives will be discounted, and how will they be applied for non-transportation uses of RNG?

RESPONSE 9:

Gas Acquisition will use its available procurement tools such as long-term contracts and creditworthiness to secure RNG supplies that would otherwise generate transportation incentives in the form of environmental credits. Based on preliminary discussions with suppliers, we have determined there are RNG suppliers that value contract certainty and would be willing to provide lower prices (vs. higher price received in the transportation market) in return for longer term contracts.

QUESTION 10:

Do SoCalGas or SDG&E have a methodology for deriving the greenhouse gas (GHG) content of their pipeline gas with the inclusion of RNG? If so, provide the methodology and any supporting workpapers. Will this include lifecycle emissions associated with RNG (such as feedstocks, transportation, land use, etc.)?

RESPONSE 10:

Yes. In order to align with California's Cap and Trade program, SoCalGas and SDG&E will use CARB's methodology for calculating GHG emissions reductions as per Section 95852.2 of the Regulations for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms. To date, lifecycle analysis of GHG emissions for RNG has only been applied to the transportation sector, as used in California's LCFS program and the EPA's RFS program. There is no such framework for non-transportation end-uses of RNG. SoCalGas and SDG&E do not have such a methodology either, but the Green-e certification may provide such a methodology. We are currently working with Center for Resource Solutions on the Green-e certification.

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QUESTION 11:

Will SoCalGas or SDG&E in any way prioritize the procurement of RNG based on its lifecycle GHG emissions? If so, describe how. If not, explain why.

RESPONSE 11:

To date, lifecycle analysis of GHG emissions for RNG has only been applied to the transportation sector, as used in California's LCFS program and the EPA's RFS program. There is no such framework for non-transportation end-uses of RNG. The sources of the RNG procured for the RNG Tariff will be reported publicly.

QUESTION 12:

Regarding GHG emissions, please answer the following:

a. Has SoCalGas or SDG&E prepared any analysis of projected GHG emissions reductions resulting from the RNG Tariff? If so, provide the analysis and all supporting workpapers. If not, explain why not and explain how the program will result in any GHG emissions reduction benefit.

b. Do SoCalGas or SDG&E have a methodology to track and measure any GHG emissions reductions directly attributable to participation in the RNG Tariff? If so, provide the methodology. If not, explain how SoCalGas and SDG&E will determine the impact of the RNG Tariff on GHG emissions.

c. How will SoCalGas and SDG&E's Cap-and-Trade compliance costs be impacted by the RNG Tariff? Provide any analysis and supporting workpapers.

d. Do SoCalGas and SDG&E intend to share any Cap-and-Trade compliance cost savings resulting from reduced GHG emissions due to the RNG Tariff directly with the participating RNG Tariff customers? If so, explain how those savings will be shared directly with participating customers. If not, explain why not.

e. How will SoCalGas and SDG&E track any GHG emission reductions achieved through the RNG Tariff?

RESPONSE 12:

a. No analysis has been conducted. GHG Emissions reductions would result from the displacement of traditional natural gas with RNG supply. Therefore, emission reductions will be directly related to the rate of participation in the RNG Tariff program.

b. No, however in lieu of a specific methodology, SoCalGas and SDG&E will align with CARB's approach for California's Cap and Trade program. GHG emissions from combustion of eligible biomass fuels will result in zero GHG emissions as per Section 95852.2 of the Regulations for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms.

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c. SoCalGas and SDG&E intend to procure RNG that qualifies for the Cap-and-Trade biomass fuel exemption. Therefore, Cap-and-Trade compliance costs for RNG Tariff participants will be reduced based on the amount of RNG supplied to them.

d. Participating RNG Tariff customers will receive a Cap-and-Trade compliance cost savings resulting from reduced GHG emissions due to CARB's biomass fuel exemption. Compliance cost savings will be returned to participating customers on a per-therm basis as a reduction of the RNG commodity rate as described in direct testimony, chapter 3 (Cheung).

e. SoCalGas and SDG&E will track GHG savings resulting from program participation using CARB's methodology for calculating GHG emissions reductions as per Section 95852.2 of the Regulations for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms. This information will be shared through periodic reporting and individually on the participant's monthly gas bill.

QUESTION 13:

Has SoCalGas or SDG&E performed a survey, study, or analysis assessing interest and/or likely uptake in the RNG program? If so, please provide survey, study, or analysis.

RESPONSE 13:

Supplemental response will be provided.

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QUESTION 14:

The Prepared Direct Testimony of Tanya Peacock, lines 10-12, it states: "A utility procurement program that provides a percentage of RNG to all core customers (SB 1440) will provide the foundation for decarbonization and encourage long-term contracts that will help lower costs for both the mandatory and voluntary programs." (Chapter 1, p. 6).

a. Provide any analysis SoCalGas or SDG&E has prepared or utilized regarding market barriers to RNG.

b. Provide any analysis SoCalGas or SDG&E has prepared or utilized regarding what is necessary to lower RNG costs.

RESPONSE 14:

a. Please see Response 9 for a discussion of how long-term contracts that provide certainty to developers can help off-set the transportation premium created by the value of environmental credits for RNG used in the transportation sector.

b. Please see Response 14a.