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

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

[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.

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 AGREEMENT[3]

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 Settlement[4]

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]

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[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]

<u>Procurement Advisory Group</u>

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

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[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

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[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]

<u>Review Period</u>

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).

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[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

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[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

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[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.

ATTACHMENT A

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 A.19-02-015

SETTLEMENT AGREEMENT AMONG SOUTHERN CALIFORNIA GAS COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, 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

Southern California Gas Company ("SoCalGas"), and San Diego Gas & Electric Company (jointly, the "Utilities"), the Public Advocates Office at the California Public Utilities Commission ("Public Advocates"), Environmental Defense Fund ("EDF"), the Bioenergy Association of California ("BAC"), the Coalition for Renewable Natural Gas ("RNG Coalition"), the Agricultural Energy Consumers Association ("AECA"), and SFE Energy (all collectively, the "Settling Parties") hereby agree to settle and resolve all issues, except as specified in Section IX.B below, within the Application for Renewable Natural Gas Tariff proceeding, filed by the Utilities (Application ("A.") 19-02-015) ("Proceeding").

The Settling Parties submit that this Settlement complies with the California Public Utilities Commission's ("Commission") requirements that settlements be reasonable, consistent with law, and in the public interest. The Settling Parties have recognized that there is risk involved in litigation, and that a party's filed position might not prevail, in whole or in part, in the Commission's final determination. The Settling Parties have reached compromise positions that they believe are appropriate in light of the litigation risks. This Settlement reflects the Settling Parties' best judgments as to the totality of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.

In order to avoid the risks and costs of litigation, the Settling Parties agree to the below terms and conditions.

I. General

A. SoCalGas and SDG&E are authorized to implement a voluntary pilot Renewable Natural Gas ("RNG") Tariff (hereinafter referred to as the "RNG Tariff"), pursuant to the terms of this document.

B. Proposed modifications to the program design or the reporting frequency would be authorized by submission of a Tier 3 advice letter.

C. The goals of the voluntary tariff are: 1) to accelerate the use of renewable, low carbon RNG and the development of RNG supplies in California and nationally, and 2) reduce GHG and Short-Lived Climate Pollutant ("SLCP") emissions in California.

II. Program Review

A. The RNG Tariff will be reviewed three years after the date of the first customer bill for participation in the RNG Tariff program.

B. The Utilities will submit a Tier 3 advice letter by that 3-year anniversary providing the details of and results from the program to date. The scope of the review will be:

1. Estimates of net GHG and SLCP emissions reductions achieved under the program, and reductions in the Cap-and-Trade obligations incurred by the Utilities.
2. Evaluation of new or additional production of RNG in state and nationally, if any, resulting from procurement activities to date.
3. Historic, current and projected future customer subscription levels.
4. Average premiums experienced by subscribers.
5. The results of a qualitative survey of customer satisfaction (funded by the RNG Tariff program).
6. A recommendation on strategies for procuring incremental supplies from new RNG projects in California.

C. The Utilities shall demonstrate that the RNG Tariff program has resulted in reduced GHG emissions compared to a business-as-usual calculation, using the carbon accounting methodologies agreed upon in this settlement. If the RNG Tariff program does not result in reduced GHG emissions after three years, this will be a primary consideration of the Commission when evaluating whether the program is reasonable to continue.

D. If not approved to continue, the Utilities will terminate the RNG Tariff program within two years from the advice letter disposition date to allow time to conclude participation, contract obligations, etc. Upon such a decision, the Utilities will cease incurring marketing expenses for the program and will minimize administrative costs.

III. Definition of Renewable Natural Gas

A. RNG procured under the RNG Tariff must meet the following criteria:

1. The Utilities will procure 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.
2. Allowable organic waste sources of RNG shall not include crops grown solely for energy production (commonly referred to as "purpose-grown crops").

3. Utilities will maintain flexibility in the location and types of RNG purchased for the RNG Tariff, subject to the limitations provided by the other provisions in this document.
4. Utilities will procure only RNG that has 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 Low Carbon Fuel Standard ("LCFS") program.
5. The Utilities will only procure RNG that meets Applicable Standards. "Applicable Standards" is defined as:

   RNG eligible for the biomethane exemption requirements set in the Mandatory Reporting of Greenhouse Gas Emissions ("MRR") and 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.
6. If there are any changes to the Applicable Standards or any subsequent changes in the state regulation of RNG that apply to the RNG procured under this program, and, if deemed necessary after consultation with the Procurement Advisory Group, Utilities will file a Tier 2 Advice Letter describing if and how procurement will comply with the changed Applicable Standards going forward.

IV. Procurement

A. General

1. SoCalGas's Gas Acquisition Department ("Gas Acquisition") will be responsible for procuring RNG for the purposes of serving load for SoCalGas and SDG&E customers that voluntarily accept service under the RNG Tariff.
2. Gas Acquisition shall have at its disposal all available Commission-approved tools used when contracting for traditional natural gas, including but not limited to storage, regulatory account over / under-collection adjustments, and selling excess RNG supplies.
3. RNG supplies procured for this program will be managed using assets already allocated to bundled core customers, including but not limited to, storage inventory capacity, injection and withdrawal rights, interstate capacity, and backbone transportation service.
4. Gas Acquisition may contract with marketers who carry a portfolio of RNG supplies and/or directly with biogas producers and developers.
5. Any initial RNG supplies that are unused will be stored and available for later use. Shortages, if any, will be made-up with surplus supply or with purchases in future months, and will be cured, at a minimum, on an annual

basis, as demonstrated in Utilities' annual report. The Utilities' Annual Report will include a notation of any months in which there was an RNG supply shortage.

6. Separate tracking and reporting tools and procedures will be utilized to account for matching customer participant load with purchased RNG and recording purchase prices and volumes.
7. RNG purchases will not be included in the Gas Cost Incentive Mechanism ("GCIM") calculation.
8. 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* Section IV.D, *infra*) 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.
9. RNG purchased for the RNG Tariff that remains unsubscribed may be used for other eligible RNG programs to the extent the commodity costs for the unsubscribed RNG are recovered from that eligible program.

B. Carbon Content of Sourced RNG

1. Utilities will require RNG suppliers to provide lifecycle GHG emissions calculations in accordance with the GREET model used by the LCFS program and use this information in evaluating the carbon intensity of RNG supply choices.
2. Utilities will develop a bid evaluation methodology for RNG supplies including, among other things, lifecycle GHG emissions using a $/ton ranking.
3. 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 LCFS methodology.

C. Verification and Additionality Requirements

1. Utilities will follow the requirements of the California Air Resources Board's ("CARB") MRR and the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms ("Cap-and-Trade Regulation").
2. The compliance of purchased RNG supplies with MRR and Cap-and-Trade Regulation will be verified by a third-party independent verification body, accredited by CARB, as required to receive the biomethane exemption under the Cap-and-Trade Regulation.

3. While eligible for a grandfathered exemption pursuant to 17 CCR § 95852.1.1, Utilities will not procure any supplies or attributes from sources contracted before January 1, 2012 to serve RNG Tariff customers.
4. Utilities will not generate nor sell Renewable Energy Credits ("RECs") for purposes of the RNG Tariff.
5. If a core customer directly complies with the Cap-and-Trade program as a covered entity or opt-in covered entity, that customer may participate in the RNG Tariff but will be prohibited within the RNG Tariff from claiming a reduced emissions obligation under the Cap-and-Trade program to prevent double counting. This prohibition will be included in the RNG Tariff sheet.
6. In order to prevent double counting, Utilities will procure all environmental attributes associated with RNG supplies and require sellers to demonstrate that the RNG has not been used to comply with environmental or procurement requirements in any other state.
7. If any subsequent RNG certification or verification process is adopted by the Commission in a broader Rulemaking, Utilities will file a Tier 2 Advice Letter describing if and how procurement will comply with this standard going forward.

D. Procurement Advisory Group

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

V. G-RNGT

A. Eligibility

1. Residential and Non-residential Procurement Customers are eligible, 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, as defined in this Agreement. Residential customers are only eligible for the Monthly Purchase Amount.
2. CARE customers are eligible to participate in the RNG Tariff but will not receive the CARE discount on monthly RNG charges.

B. Subscription Levels

1. Monthly Purchase Amount: For all residential customers and for non-residential customers who elect the flat amount option, the Monthly Purchase Amount is a pre-defined dollar amount that the customer selects for the amount of RNG to purchase (e.g., $10, $25, $50 per month).

2. The RNG Tariff program will initially offer 3 purchase amounts for all residential customers (i.e. $10, $25, $50). Should customer research or feedback identify demand for additional subscription levels or different subscription amounts, the Utilities shall be able to modify the subscription levels without Commission approval.
3. CARE customers can participate at a purchase amount 20% below the lowest Non-CARE residential level (i.e. $8). The 20% reduction: (a) represents a 20% reduced pre-defined dollar amount and a commensurate 20% reduction in purchased RNG and (b) is a percentage consistent with the CARE discount currently applicable to gas rates. Should CARE customers want to opt-in at higher purchase amounts, they can opt-in at the Non-CARE residential levels beyond the first tier (i.e., $25 or $50).
4. RNG Purchase Percentage: For non-residential customers who elect this option, the RNG Purchase Percentage is a pre-defined percentage of usage per month that the non-residential customer selects to be renewable (25%, 50%, 75% or 100%).
5. The RNG Tariff program will initially offer 4 percentages for non-residential customers (25%, 50%, 75% or 100%). Should customer research or feedback identify demand for additional percentage levels, the Utilities shall be able to modify the subscription percentages without Commission approval.

C. Commitment Periods

1. A minimum commitment of one year for residential customers will be required when beginning in the RNG Tariff program. The commitment period will begin on the first billing date following enrollment, unless enrollment is less than 15 days prior to that billing date, then service will begin on the next billing date.
2. A minimum commitment of two years for non-residential customers will be required when beginning in the RNG Tariff program. The commitment period will begin on the first billing date following enrollment, unless enrollment is less than 15 days prior to that billing date, then service will begin on the next billing date.

D. Enrollment and Disenrollment

1. A completed enrollment form must be received by the Utility and the eligible customer must accept the terms and conditions of enrollment. Enrolled customers will have 60 days from their enrollment date during which the customer may notify the Utility that they wish to 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.
2. A customer's enrollment is fully transferrable to a customer's new premises, provided that (1) the customer is still eligible, (2) the new location is within the Utilities' service territory, and (3) service will be in the customer's name. The customer must notify the Utility which account the existing enrollment should be transferred to.

3. 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.
4. Customers subject to service disconnection due to failure to pay for natural gas service will be disenrolled from the RNG Tariff program.
5. 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.
6. Residential customers, upon completion of the one-year commitment period, may re-enroll for another year, 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. If a residential customer wishes to change their RNG Monthly Purchase amount, then they must re-enroll for another one-year commitment.
7. Residential customers must request to disenroll at least 30 days prior to the end of their commitment period. If they do not request to disenroll at least 30 days prior to the end of their commitment period, they will remain in the RNG Tariff program on a month-to-month basis until they request to disenroll. When a customer requests to disenroll, re-enrolls, or changes their RNG Monthly Purchase Amount, changes will become effective after one complete billing cycle.
8. Residential CARE customers that fail to qualify for CARE at any point during their commitment period, will remain on the reduced CARE rate (if selected; *see* Section V.B.3, *supra*) until such time as they re-enroll, disenroll or are disenrolled for failure to pay for natural gas service.
9. Non-residential customers, upon completion of their two-year commitment period, may re-enroll for another two years, request to disenroll from the program or request to change their RNG Monthly Purchase Amount or Purchase Percentage. If a non-residential customer wishes to change their RNG Monthly Purchase Amount or Purchase Percentage, they must re-enroll for another two-year commitment.
10. Non-residential customers must request to disenroll at least 30 days prior to the end of their commitment period. If a non-residential customer does not request to disenroll at least 30 days prior to the end of their commitment period, they will remain in the RNG Tariff program for 90-day commitment periods and must request to disenroll at least 30 days prior to the end of a 90-day commitment period. Requests for disenrollment after the 30-day window will become effective after 3 complete billing cycles. If a non-residential customer re-enrolls or decreases their RNG Monthly Purchase Amount or Purchase Percentage, changes will become effective after one complete billing cycle.
11. The RNG Tariff program does not modify any aspect of the existing rules and processes for customer participation in the Utilities' Core Aggregation Transportation (CAT) program.

E. Bill Calculation

1. Monthly Purchase Amount: To calculate the customer's monthly bill, the Utilities will first calculate the RNG usage therms quantity by dividing the customer's Monthly Purchase Amount by the current RNG rate. This RNG usage quantity will be rounded down to the next whole therm. The new RNG usage quantity will be subtracted from the total monthly usage quantity and the remaining usage quantity will be considered the usage quantity served by traditional natural gas. Monthly charges will be calculated by multiplying the RNG usage therms by the current RNG Rate. The traditional natural gas charges will then be calculated by using the customer's current traditional natural gas therm commodity procurement rate. The customer will incur transportation and other charges for all the natural gas quantity consumed (RNG plus traditional natural gas), as done currently per the customer's traditional natural gas tariff rate. There will be no change to the method used to calculate baseline usage and accordingly, a higher transportation rate will be used for the monthly usage quantities that exceed the baseline allowance. Utility user taxes will be applied as appropriate.
2. RNG Purchase Percentage: To calculate the customer's monthly bill, the Utilities will first calculate the RNG usage therms amount by multiplying the total therm usage for the customer by their RNG Purchase Percentage. The remaining usage will be considered the usage quantity served by traditional natural gas. Monthly charges will be calculated by multiplying the RNG usage therms by the current RNG Rate. The traditional natural gas charges will then be calculated by using the customer's current traditional natural gas therm commodity procurement rate.

F. Bill Presentment

1. The Utilities will show transportation charges, gas commodity charges, and (if applicable), RNG Tariff charges separately on the customer's bill, as described in section V.E., "Bill Calculation," above.

G. Rates

1. The RNG rate charged to customers for the RNG Tariff program will be charged on a per therm basis and will consist of: 1) RNG Commodity Charge and 2) Program Charge.
2. The RNG Commodity Charge will be comprised of the Schedule G-CP "Core Procurement Service" tariff rate less the following Schedule G-CP rate components: 1) adjustment for over or under-collection imbalance in the Core Purchase Gas Account, 2) adjustment for the GCIM reward / penalty pursuant to D.02-06-023, 3) authorized franchise fees and uncollectible expenses ("FF&Us"), and 4) authorized core brokerage fee. In addition to the net rate after considering items 1-4 described above, the following rate components will also be included to arrive at the total RNG commodity charge: 5) a premium for RNG purchases defined as the difference in the estimated monthly weighted average cost of RNG purchases (including the cost of any renewable attributes or credits that are bundled with the RNG purchases) and the estimated monthly weighted

average cost of traditional natural gas purchases, 6) Renewable Natural Gas Tariff Balancing Account ("RNGTBA") RNG Commodity Charge sub-account over/under-collection adjustment, 7) less the estimated value of an amount reflecting the reduction in Utilities' cap-and-trade obligation from bringing biomethane into the Utilities' system, 8) authorized FF&Us; and 9) authorized core brokerage fee.

3. Program Charge: The Program Charge will be comprised 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.
    a) 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.
4. The monthly RNG Rate will be calculated during the last week of the month and filed via a Tier 1 advice letter by the last business day of the month to be effective on the first calendar day of the following month.

H. Program Costs and Cost Recovery

1. Start-up costs 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. On-going costs annually will include the continued development and distribution of marketing material, and annual administrative costs to manage the RNG Tariff program.
    a) Utilities 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.
    b) The SoCalGas RNG Tariff program will incur approximately $74,000 in labor charges during the first year of the program to manage the oversight of system designs and testing for the computer system upgrades, manage marketing collateral creation (including content for webpages, email, and social media), oversee the creation of new accounts and accounting cost tracking procedures, training for Customer Service Representatives (CSRs), and design and create regulatory reporting.
    c) 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.
    d) The SDG&E RNG Tariff program, once it starts, will incur approximately $74,000 in labor charges during the first year of the program to manage the oversight of business process designs for such things as call center scripts and enrollments, oversee the creation of new accounts and accounting cost tracking procedures, training for CSRs, and design and create regulatory reporting.

e) After the second year, the SDG&E Program Administration labor charges are estimated to decline to approximately $47,000, while experiencing 3% average annual cost increase for the designated labor and non-labor expenses.

f) 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.

g) SDG&E estimates the RNG Tariff program will incur approximately $40,000 in program marketing costs annually.

h) SoCalGas and SDG&E estimate they will each incur annual Green-e or equivalent program certification fees of $25,000 annually, and $3,000 in travel and miscellaneous expenses per year for the first 3 years.

2. Administrative and marketing costs for the program would be recovered from RNG Tariff program participants via the RNG Tariff program charge for each Utility.

3. 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 a period of at least 6 months after implementation of its new CIS.

VI. Regulatory Accounting

A. Establishment of the Renewable Natural Gas Tariff Balancing Accounts (RNGTBA)

1. The Utilities will establish separate RNGTBAs as interest-bearing balancing accounts recorded on the Utilities' respective financial statements.

2. RNGTBAs

a) For SoCalGas, the RNGTBA consists of two subaccounts: the Commodity Charge Subaccount and the Program Charge Subaccount. The purpose of the Commodity Charge Subaccount is to record the RNG commodity costs the Utilities' opt-in core customers will pay for RNG purchases to serve customers' voluntary subscription level as well as to record the corresponding revenues from the RNG Commodity Charge. The purpose of the Program Charge Subaccount is to record the difference between RNGT administrative and marketing program costs and revenues from SoCalGas's RNG Program Charge.

b) The SDG&E RNGTBA will only record the difference between RNGT administrative and marketing program costs and the revenues from SDG&E's RNG Program Charge.

3. The Utilities will submit their RNGTBAs by Tier 1 Advice Letter within 30 days of the effective date of a decision in this proceeding.

B. Disposition of the RNGTBA Balances

1. The Commodity Charge Subaccount balance of SoCalGas's RNGTBA will be incorporated in rates as necessary in connection with the Utilities' monthly Tier 1 advice letter filing to establish the RNG Commodity Charge.
2. The RNG Program Charge will be established separately for each Utility based on a forecast of the Utility's applicable RNGT costs, corresponding customer participation, and accounting for an amortization of such costs.
3. The RNG Program Charge may be updated on an annual basis to amortize any under or over collection balance in the Program Charge Subaccount of the RNGTBA for SoCalGas, and in the RNGTBA for SDG&E.
4. The updated RNG Program Charge will be reflected in the Utilities' Tier 1 advice letters establishing the January RNG Rate.

VII. Marketing

A. Education and Outreach Content and Review

1. Education and outreach materials will be submitted for review as a Tier 2 Advice Letter.
2. The Utilities will integrate the promotion and enrollment in Energy Efficiency (EE) and Demand Response (DR) programs in all outreach and education.
3. Education and outreach materials are yet to be developed, but will include the following information:
    a) Materials will not state that RNG production cleans water or resolves odor issues.
    b) Materials will explain that RNG use still produces GHG emissions, and that lifecycle emissions may vary depending on feedstock, production and refinement methods.

B. Program Webpages

1. The online program webpage 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.
2. The program webpages will contain complete information about the program, the terms and conditions of the program, and a listing of charges included in the RNG Tariff program rate.
3. The program webpages will display the sources of RNG purchased for the RNG Tariff including:
    a) The name and location (city and state) of each source of the RNG procured for the RNG Tariff along with the percentage contribution to the overall supply portfolio;
    b) Feedstock type and percentage;
    c) Carbon intensity by feedstock;
    d) Overall carbon intensity for the RNG Tariff

e) Carbon intensity of traditional natural gas

f) This information will be updated every 6 months after program implementation; however, it will not be available until procurement contracts for RNG have been finalized.

g) During program implementation the information will be updated monthly or as needed when procurement contracts are finalized.

h) Carbon intensity information will be provided.

C. Target Markets

1. 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.

2. 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.

D. Core Transport Agents

1. The RNG Tariff program does not prevent any CTA from marketing similar or competing products to new or existing customers.

2. 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

VIII. Reporting (see Appendix A, Tables of Reporting)

A. Annual Customer Reports

1. Utilities will provide individual customers with an annual report on the customer's participation in the RNG Tariff program, including:

a) Amount of traditional natural gas purchased;

b) Amount of RNG purchased;

c) Cost of RNG purchased;

d) Annual GHG emission reduction;

e) Overall carbon intensity for the RNG Tariff;

f) Carbon intensity for traditional natural gas;

g) Feedstock type percentage;

h) Source state by percentage for RNG Tariff;

i) Other RNG news and updates.

2. This notification will take the form of an email and the information will be provided on Utilities' websites.

3. Each month Utilities will post the monthly RNG Rate on their websites.

B. Quarterly Commission Reports

1. Utilities will submit reports on the RNG Tariff program with the CPUC within 45 days of the close of each quarter containing quarter-to-date, year-to-date, and program-to-date information.

2. The content of the quarterly commission reports may change as directed by the Commission, but initially will include:

a) Overall description of RNG Tariff program activity since the previous report;

b) Program participation, new customers enrolled, and customers dis-enrolled by customer type (residential or non-residential);

c) 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;

d) Quantity and revenues from RNG sold by customer type;

e) Expenses incurred for Marketing and Administration; and

f) GHG emission reductions achieved.

g) Detailed information on RNG contracts will be provided but submitted with confidentiality designation as appropriate, including:

   (1) List of RNG suppliers contracting with Gas Acquisition;

   (2) RNG supplier's primary location and years of operation;

   (3) RNG supplier's volume of RNG purchased by Gas Acquisition for the year, its cost per therm, and its carbon intensity score; and

   (4) A notation of months when there was a shortfall in volume of RNG supply to meet demand.

IX. Other Matters

A. Regulatory Approval

1. The Settling Parties agree to seek prompt approval of this Settlement Agreement and to use their reasonable best efforts to secure Commission approval of it without change, including by filing a joint motion seeking approval of this Settlement Agreement and any written filings, appearances, and other means as may be necessary to secure Commission approval.

2. The Settling Parties agree to actively and mutually defend this Settlement Agreement if its adoption is opposed by any other party in proceedings before the Commission. Should any Proposed Decision (PD) or Alternate Proposed Decision (APD) seek a material modification to this Settlement Agreement, and should any Settling Party be unwilling to accept such modification, that Settling Party shall so notify the other Settling Parties within five business days of issuance of the PD or APD. The Settling Parties shall thereafter promptly discuss the modification and negotiate in good faith to achieve a resolution acceptable to the Settling Parties and shall promptly seek Commission approval of the resolution so achieved. Each Settling Party agrees that it will not support a modification of this Agreement proposed in a PD or APD, unless all Settling Parties agree to accept the modification.

3. Any party signing this Agreement may withdraw from this Agreement if the Commission issues a final decision that materially modifies, deletes from, or adds to the disposition of the matters settled herein, except for resolutions of modifications agreed to by the Settling Parties as discussed in the previous paragraph. However, the Settling Parties agree to negotiate in good faith with regard to any Commission-ordered changes, in order to

restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful. To accommodate the interests related to various issues, the Settling Parties acknowledge that changes, concessions or compromises by one or more Settling Parties in one section of this Agreement could result in changes, concessions or compromises by one or more Settling Parties in other sections of this Agreement.

4. The provisions of this Section shall impose obligations on the Settling Parties immediately upon the execution of this Settlement Agreement.

B. Partial Settlement

1. This Settlement Agreement is a settlement of some but not all the issues within the scope of the proceeding between the Settling Parties. The only issue not addressed by this Settlement Agreement is, in the event that the Utilities are ordered to end the program, whether any remaining balance in the RNGTBA will be addressed in the Utilities' following general rate case or other applicable proceeding, and the Public Advocates Office's proposal that such balance be paid by shareholders, without an opportunity to seek recovery of those costs in a future GRC or other appropriate proceeding.

C. Incorporation of Complete Agreement

1. This Settlement Agreement embodies the entire understanding and agreement of the Settling Parties with respect to the matters described herein, and, except as described herein, supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings among the Settling Parties. This Settlement Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues.

D. Unified Agreement

1. The Settling Parties have bargained in good faith to reach the agreement set forth herein. The Settling Parties intend the Settlement Agreement, to be interpreted as a unified, interrelated agreement. The Settling Parties agree that no provision of this Settlement Agreement shall be construed against any Settling Party because a particular party or its counsel drafted the provision.

E. Successors and Assigns

1. The rights conferred and obligations imposed on any of the Settling Parties by this Settlement Agreement shall inure to the benefit of or be binding on that Settling Party's successors in interest or assignees as if such successor or assignee was itself a party to this Settlement Agreement.

F. Disputes Regarding Agreement

1. Should any dispute arise among the Settling Parties regarding the Settlement Agreement or any term of the Settlement Agreement, the Settling Parties agree, prior to initiation of any other remedy, to work in good faith to resolve such differences in a manner consistent with both the express language and the intent of the Settling Parties in entering into this Settlement Agreement. The terms and conditions of the Settlement

Agreement may only be modified in writing subscribed to by the Settling Parties.

G. Non-Precedential

1. The Settling Parties hereby agree that this Settlement Agreement is entered into as a compromise of disputed issues in order to minimize the time, expense, and uncertainty of continued litigation in the Proceeding. This Settlement Agreement shall not be considered precedent in any future proceeding before this Commission unless the Commission expressly provides otherwise, as set forth in Rule 12.5 of the Commission's Rules of Practice and Procedure.
2. In the event that this Settlement Agreement is rejected by the Commission, each Settling Party expressly reserves its right to advocate, in this and other current and future proceedings, or in this proceeding, positions, principles, assumptions, arguments and methodologies which may be different from those set forth in this Settlement Agreement.

H. Non-Waiver

1. None of the provisions of this Settlement Agreement shall be considered waived by any Settling Party unless such waiver is given in writing. The failure of a Settling Party to insist in any one or more instances upon strict performance of any provision of this Settlement Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provision or the relinquishment of any such rights for the future, and the Settlement Agreement shall continue and remain in full force and effect.

I. Governing Law

1. This Agreement shall be interpreted, governed and construed under the laws of the State of California, including Commission decisions, orders, and rulings, as if executed and to be performed wholly within the State of California.

J. Captions and Paragraph Headings

1. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

K. Signatures/Counterparts

1. This Settlement Agreement may be executed in counterparts. This Agreement may be executed in separate counterparts, the whole of which shall constitute a binding agreement. Facsimile signatures or pdf version signatures communicated by email, when received, shall have the same force and effect as original signatures. The representatives of the Settling Parties signing this Settlement Agreement are fully authorized to enter into this Settlement Agreement.

//

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Signed:

SOUTHERN CALIFORNIA GAS COMPANY

By: 4/10/20
GILLIAN WRIGHT **Date**

Title: Senior Vice President – Customer Services

SAN DIEGO GAS & ELECTRIC COMPANY

By: ______________________________
KENDALL HELM **Date**

Title: Vice President – Customer Operations

PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA PUBLIC UTILITIES COMMISSION

By: ______________________________
LINDA SERIZAWA **Date**

Title: Deputy Director for Energy

ENVIRONMENTAL DEFENSE FUND

By: ______________________________
MICHAEL COLVIN **Date**

Title: Director Regulatory and Legislative Affairs, California Energy Program

BIOENERGY ASSOCIATION OF CALIFORNIA

By: ______________________________
JULIA A. LEVIN **Date**

Title: Executive Director

COALITION FOR RENEWABLE NATURAL GAS

By: ______________________________
SAM WADE **Date**

Title: Director of State Regulatory Affairs

Signed:

SOUTHERN CALIFORNIA GAS COMPANY

By: ______________________________

GILLIAN WRIGHT **Date**

Title: Senior Vice President – Customer Services

SAN DIEGO GAS & ELECTRIC COMPANY

April 10, 2020

By: ______________________________

KENDALL HELM **Date**

Title: Vice President – Customer Operations

PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA PUBLIC UTILITIES COMMISSION

By: ______________________________

LINDA SERIZAWA **Date**

Title: Deputy Director for Energy

ENVIRONMENTAL DEFENSE FUND

By: ______________________________

MICHAEL COLVIN **Date**

Title: Director Regulatory and Legislative Affairs, California Energy Program

BIOENERGY ASSOCIATION OF CALIFORNIA

By: ______________________________

JULIA A. LEVIN **Date**

Title: Executive Director

COALITION FOR RENEWABLE NATURAL GAS

By: ______________________________

SAM WADE **Date**

Title: Director of State Regulatory Affairs

Signed:

SOUTHERN CALIFORNIA GAS COMPANY

By: ______________________________

GILLIAN WRIGHT **Date**

Title: Senior Vice President – Customer Services

SAN DIEGO GAS & ELECTRIC COMPANY

By: ______________________________

KENDALL HELM **Date**

Title: Vice President – Customer Operations

PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA PUBLIC UTILITIES COMMISSION

By: Linda Serizawa 4/10/2020

LINDA SERIZAWA **Date**

Title: Deputy Director for Energy

ENVIRONMENTAL DEFENSE FUND

By: ______________________________

MICHAEL COLVIN **Date**

Title: Director Regulatory and Legislative Affairs, California Energy Program

BIOENERGY ASSOCIATION OF CALIFORNIA

By: ______________________________

JULIA A. LEVIN **Date**

Title: Executive Director

COALITION FOR RENEWABLE NATURAL GAS

By: ______________________________

SAM WADE **Date**

Title: Director of State Regulatory Affairs

Signed:

SOUTHERN CALIFORNIA GAS COMPANY

By: ______________________________

GILLIAN WRIGHT **Date**

Title: Senior Vice President – Customer Services

SAN DIEGO GAS & ELECTRIC COMPANY

By: ______________________________

KENDALL HELM **Date**

Title: Vice President – Customer Operations

PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA PUBLIC UTILITIES COMMISSION

By: ______________________________

LINDA SERIZAWA **Date**

Title: Deputy Director for Energy

ENVIRONMENTAL DEFENSE FUND

By: ______________________________ 4/8/2020

MICHAEL COLVIN **Date**

Title: Director Regulatory and Legislative Affairs, California Energy Program

BIOENERGY ASSOCIATION OF CALIFORNIA

By: ______________________________

JULIA A. LEVIN **Date**

Title: Executive Director

COALITION FOR RENEWABLE NATURAL GAS

By: ______________________________

SAM WADE **Date**

Title: Director of State Regulatory Affairs

Signed:

SOUTHERN CALIFORNIA GAS COMPANY

By: ______________________________
GILLIAN WRIGHT **Date**
Title: Senior Vice President – Customer Services

SAN DIEGO GAS & ELECTRIC COMPANY

By: ______________________________
KENDALL HELM **Date**
Title: Vice President – Customer Operations

PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA PUBLIC UTILITIES COMMISSION

By: ______________________________
LINDA SERIZAWA **Date**
Title: Deputy Director for Energy

ENVIRONMENTAL DEFENSE FUND

By: ______________________________
MICHAEL COLVIN **Date**
Title: Director Regulatory and Legislative Affairs, California Energy Program

BIOENERGY ASSOCIATION OF CALIFORNIA

By: Julia A. L April 7, 2020
JULIA A. LEVIN **Date**
Title: Executive Director

COALITION FOR RENEWABLE NATURAL GAS

By: ______________________________
SAM WADE **Date**
Title: Director of State Regulatory Affairs

Signed:

SOUTHERN CALIFORNIA GAS COMPANY

By: ______________________________

GILLIAN WRIGHT **Date**

Title: Senior Vice President – Customer Services

SAN DIEGO GAS & ELECTRIC COMPANY

By: ______________________________

KENDALL HELM **Date**

Title: Vice President – Customer Operations

PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA PUBLIC UTILITIES COMMISSION

By: ______________________________

LINDA SERIZAWA **Date**

Title: Deputy Director for Energy

ENVIRONMENTAL DEFENSE FUND

By: ______________________________

MICHAEL COLVIN **Date**

Title: Director Regulatory and Legislative Affairs, California Energy Program

BIOENERGY ASSOCIATION OF CALIFORNIA

By: ______________________________

JULIA A. LEVIN **Date**

Title: Executive Director

COALITION FOR RENEWABLE NATURAL GAS

By: Sam Wade

SAM WADE **Date**

Title: Director of State Regulatory Affairs

AGRICULTURAL ENERGY CONSUMERS ASSOCIATION

By: M. Boccadoro 4-9-20

MICHAEL BOCCADORO **Date**

Title: Executive Director

SFE ENERGY

By: ______________________

JEFF DONNELLY **Date**

Title: Director, Regulatory Affairs and Compliance and Chief Privacy Officer

AGRICULTURAL ENERGY CONSUMERS ASSOCIATION

By: ______________________________

MICHAEL BOCCADORO **Date**

Title: Executive Director

SFE ENERGY

April 8, 2020

By: ______________________________

JEFF DONNELLY **Date**

Title: Director, Regulatory Affairs and Compliance and Chief Privacy Officer

APPENDIX A
TABLES OF REPORTING

These tables are intended to compile the reporting requirements identified in the Settlement Agreement above. In the event of a conflict between the requirements in this Appendix, and those in the body of the Agreement, the terms in the body of Agreement shall govern.

Program Webpages

Data/information	Update Frequency	Notes
Program information	n/a	See Section VII, *supra*
Carbon intensity of traditional NG	Annually	Available day 1
Carbon intensity for the RNG Tariff	Available once an RNG source is contracted, then every 6 months	
Feedstock type percentage	Available once an RNG source is contracted, then every 6 months	Pie chart of supply by feedstock
Carbon intensity for feedstock	Annually	Available day 1.
Source state percentage	Available once an RNG source is contracted, then every 6 months	Pie chart of supply by state

Enrollment Acknowledgement

Data/information	Update Frequency	Notes
Start date for RNG Tariff	After enrollment	Send as soon as practicable
Commitment end date		
Cooling-off period end date		
RNG subscription		Either monthly amount or percentage
Current monthly RNG rate		
Carbon intensity for the RNG Tariff		If known, average
Feedstock percentage for RNG Tariff		If known, pie chart of supply by feedstock
Source state percentage for RNG Tariff		If known, pie chart of supply by feedstock
Other RNG news and updates		Marketing to EE programs and other

APPENDIX A

TABLES OF REPORTING

Annual Customer Report – for customer, for previous year.

Data/information	Update Frequency	Notes
Amount of traditional NG purchased	Annually	Dollars and volume
Amount of RNG purchased	Annually	Dollars and volume
Cost of RNG purchased	Annually	Average for customer
Annual GHG emission reduction	Annually	
Carbon intensity for the RNG Tariff	Annually	Average
Feedstock percentage for RNG Tariff	Annually	Pie chart of supply by feedstock
Source state percentage for RNG Tariff	Annually	Pie chart of supply by state
Other RNG news and updates	Annually	Text

Quarterly Commission Report – submitted within 45 days of the end of each quarter, under confidentiality designation, if appropriate.

Data/information	Update Frequency	Notes
Overall description of program activity since last report	Quarterly	Text
New customers enrolled		By customer type
Customers dis-enrolled		By customer type
Number of customers by purchase subscription		Table by amount, by customer type
Quantity of RNG sold		By customer type
Revenue of RNG sold		By customer type
Overhead expenses		Marketing and Administration
Carbon intensity for the RNG Tariff		Average
RNG SOURCES		
Name		
City/State		Or nearest town
Years in Operation		
Feedstock of source		
Carbon intensity for the source		
Volume purchased		
Cost per Therm		