

Application No: A.12-04-024
Exhibit No.: _____
Witness: Jim Lucas

Application of Southern California Gas Company)
(U904G) to Establish a Biogas)
Conditioning/Upgrading Services Tariff)
_____)

Application 12-04-024
(Filed April 25, 2012)

PREPARED SUPPLEMENTAL TESTIMONY OF
JIM LUCAS
SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

January 18, 2013

1 The Energy Division later states and recommends the following:

2 *As the objectives served by these proposals may help address barriers to*
3 *increase bioenergy production, I would urge you to consider filing a formal*
4 *application quickly so that the issues presented may receive full consideration*
5 *and the Commission may consider providing relief from existing policies as*
6 *appropriate and supported by an evidentiary record.*

7 Based on this recommendation, SoCalGas filed the BCS Tariff application on April 25, 2012
8 seeking Commission approval to establish a new tariff to offer Biogas Conditioning/Upgrading
9 Services.

10 From a programmatic perspective, the services being offered in the BCS Tariff
11 application and the *Biogas Conditioning Services* as described in AL 4172 are very similar.
12 Some of the similarities include, but are not limited to the following: 1) SoCalGas will design,
13 own, operate and maintain biogas conditioning and upgrading facilities on or adjacent to
14 customer premises; 2) SoCalGas does not contemplate ownership of the raw biogas entering the
15 biogas conditioning/upgrading facility nor the upgraded biogas leaving the biogas
16 conditioning/upgrading facility; 3) the service will be provided through a long-term Services
17 Agreement that the customer and utility must execute prior to the commencement of service; 4)
18 SoCalGas plans to contract with a third-party for system installations and a third-party to manage
19 the day-to-day operations and maintenance of the system; and, 5) the technology at each biogas
20 producer site will be selected on a case-by-case basis based upon a variety of site specific
21 variables including but not limited to the size of the facility, volume of biogas, quality of biogas
22 and operating costs.

23 The primary differences between the services being offered in the BCS Tariff application
24 and the services as described in AL 4172 are: 1) in the BCS Tariff application, SoCalGas is not
25 proposing to design, own, operate and maintain biogas production facilities; and, 2) the BCS
26 Tariff application proposes the service as a tariff and not as an NTP&S as proposed in AL 4172.

1 The matrix below provides a side-by-side comparison of the key components for both the
 2 BCS Tariff application and the Biogas Conditioning Services and Bioenergy Production
 3 Facilities Services (as requested in AL 4172).¹

Program Detail	Biogas Upgrading/Conditioning Services Tariff (A.12-04-024)	Biogas Conditioning Services and Bioenergy Production Facilities Services (AL 4172)
What market sector(s) will be offered the services?	Various sectors, including but not limited to, large wastewater treatment facilities, municipal solid waste, dairy waste, food waste, and other biogas sources.	Same response as tariff services
What are the expected biogas volumes?	Generally, 1,000 scfm or greater	Same response as tariff services
Who will own, operate and maintain the biogas upgrading/conditioning equipment?	SoCalGas	Same response as tariff services
How will SoCalGas install and operate the biogas conditioning/upgrading facilities?	SoCalGas plans to contract with a third party for system installations and a third party to manage the day-to-day operations and maintenance of the system.	Same response as tariff services
Who owns the raw biogas?	Biogas developer or customer	Same response as tariff services
Who owns the conditioned/upgraded biogas?	Biogas developer or customer	Same response as tariff services
What is the funding source for the biogas projects?	SoCalGas Shareholders	Same response as tariff services
Who pays for the interconnection facility?	Biogas developer or customer	Same response as tariff services
What type of biogas equipment will be installed?	Biogas conditioning/upgrading system	Biogas conditioning/upgrading system and/or bioenergy production system (ex: digester)
If the project creates green environmental attributes/credits/benefits from the capture and use of biogas/biomethane, who receives these attributes/credits/benefits?	Biogas developer or customer.	Likely the biogas developer or customer. It could be SoCalGas if GHG credits are negotiated as part of the Bioenergy Production Facilities Services Agreement.
Does the biogas project/producer site need to have a digestion facility in order for SoCalGas to offer the proposed services?	Yes	No, SoCalGas could provide both Bioenergy Production Facilities (e.g. digestion facility) and Biogas Conditioning/Upgrading Services.
What is the Regulatory mechanism for offering the proposed services?	Tariff service via Application	Non-tariff product and service (NTP&S) via Advice Letter

¹ The Commission received letters from a variety of entities recognizing the merits of AL 4172, including the environmental benefits and positive impact on air quality provided by the proposed services.

1 **Comparison of the BCS Tariff Application and the Sustainable SoCal Program (as**
2 **presented in the General Rate Case)**

3 The BCS Tariff is a fee based service SoCalGas seeks to offer to potential customers,
4 generally having biogas volumes greater than 1.5 million cubic feet per day, which is equivalent
5 to approximately 1,040 standard cubic feet per minute (scfm). SoCalGas believes the economics
6 of biogas conditioning/upgrading for facilities in this size range is feasible without further
7 financial assistance. The applicable tariff service fees are designed to recover the fully allocated
8 cost of serving that tariff service customer. The service fee will include the recovery of the full
9 capital cost, operations and maintenance, and SoCalGas overhead costs through payments under
10 the tariff and contract. SoCalGas does not contemplate ownership of the raw biogas entering the
11 biogas conditioning/upgrading facility nor the upgraded biogas leaving the biogas
12 conditioning/upgrading facility.

13 In contrast, the Sustainable SoCal Program seeks to install four biogas
14 conditioning/upgrading systems at wastewater treatment plants having biogas volumes in the
15 range of 200 to 600 scfm. The output biomethane, which will be owned by SoCalGas and
16 conditioned/upgraded to meet Rule 30 Gas Quality Specifications, will be compressed and
17 injected into SoCalGas' gas pipeline system. SoCalGas will use this gas for company facilities
18 use and to fuel CNG fleet vehicles. Ratepayers will be responsible for all costs and risks
19 associated with the Sustainable SoCal Program and will receive all benefits from the program
20 (value of biomethane; avoided costs for GHG credits starting in 2015).

21 The economics of biogas projects in the range of 200 to 600 scfm do not provide the
22 necessary financial return for biogas producers to move forward with the installation of biogas
23 conditioning/upgrading facilities. However, this size is relatively common, particularly for
24 wastewater treatment plants, and as air quality regulations have become more and more strict it is

1 becoming increasingly difficult to use the biogas for generation and other uses at the plant site.
2 As a result, producers may have no other option but to flare the gas, wasting a renewable fuel
3 source.

4 The matrix below provides a side-by-side comparison of some of the key components for
5 both the Biogas Conditioning/Upgrading Services Tariff and Sustainable SoCal Program (as
6 presented in the General Rate Case).

Program Detail	Biogas Upgrading/Conditioning Tariff Services	Sustainable SoCal Program
What market sector(s) will be offered the program or services?	Various sectors, including but not limited to, large wastewater treatment facilities, municipal solid waste, dairy waste, food waste, and other biogas sources.	Small to medium wastewater treatment facilities
What are the expected biogas volumes?	Generally, 1,040 scfm or greater	200-600 scfm
Who will own, operate and maintain the biogas upgrading/conditioning equipment?	SoCalGas	Same response as tariff services
How will SoCalGas install and operate the biogas conditioning/upgrading facilities?	SoCalGas plans to contract with a third party for system installations and a third party to manage the day-to-day operations and maintenance of the system.	Same response as tariff services
Who owns the biogas?	Biogas developer or customer	SoCalGas
Who owns the conditioned/upgraded biogas?	Biogas developer or customer	SoCalGas
What is the funding source for the biogas projects?	SoCalGas Shareholders	Ratepayers
Who pays for the interconnection facility?	Biogas developer or customer	SoCalGas
What type of biogas equipment will be installed?	Biogas conditioning/upgrading system	Same response as tariff services
If the project creates green environmental attributes/credits/benefits from the capture and use of biogas/biomethane, who receives these attributes/credits/benefits?	Biogas developer or customer.	SoCalGas ratepayers
Does the biogas project/producer site need to have a digestion facility in order for SoCalGas to offer the proposed services?	Yes	Same response as tariff services
What is the Regulatory mechanism for offering the proposed services?	Tariff service via Application	General Rate Case