

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

In the Matter of the Application of Southern
California Gas Company (U 904 G) to
Establish a Biogas Conditioning & Upgrading
Services Tariff

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

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
TO ESTABLISH A BIOGAS CONDITIONING & UPGRADING SERVICES TARIFF**

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**I.
INTRODUCTION**

Pursuant to California Public Utilities Code (“P.U. Code”) Sections 399.11 *et seq.*, 454, 454.5 and 701, and the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, Southern California Gas Company (“SoCalGas”) hereby submits this application (“Application”) to establish a tariff under which SoCalGas will be authorized to provide biogas conditioning & upgrading services.

**II.
DESCRIPTION OF BIOGAS CONDITIONING & UPGRADING SERVICES TARIFF**

SoCalGas proposes in this Application a new tariff service (“Biogas Conditioning & Upgrading Services Tariff”) to meet the current and future needs of biogas producers seeking to upgrade their biogas for pipeline injection, onsite power generation, or compressed natural gas (“CNG”) vehicle fueling stations.

Under the proposed tariff, the language of which is provided in Appendix A, SoCalGas will design, install, own, operate, and maintain the biogas conditioning/upgrading facility (“BC Facility”) on or adjacent to the tariff customer’s premises in order to process raw biogas and upgrade it to the level(s) specified by the tariff service customer. The contract terms, including

cost and rate components, adjustments, performance requirements, technology to be utilized,¹ and payment terms are to be agreed upon in advance by the customer and SoCalGas. A standard form of the service contract is attached in Appendix C. The proposed tariff, however, is only a biogas conditioning/upgrading tariff and does not contemplate ownership of the raw biogas entering the BC Facility nor the upgraded biogas leaving the BC Facility. Moreover, the applicable service fees will recover the fully allocated cost of serving that tariff service customer. As such, potential tariff service customers must meet certain basic and defined requirements (e.g. credit establishment) and economic feedstock volumes in order to be eligible for the tariff.

While the proposed tariff is not limited to any particular customer groups or end-use applications, SoCalGas has identified the greatest initial potential demand for the Biogas Conditioning & Upgrading Services Tariff to be from landfill diversion of organic waste, wastewater treatment, dairy/ranch operations, and food/green waste processing. Each of these activities inherently generate large amounts of organic waste, and, through anaerobic digestion, can produce enough raw biogas to satisfy the current scale requirement (approximately 1.5 million cubic feet per day) for a pipeline injection project. Although any customer may request service under the proposed Biogas Conditioning & Upgrading Services Tariff, agreement to provide service is at SoCalGas' discretion and will depend on non-discriminatory factors such as safety, system capacity, SoCalGas resource availability, technical feasibility, and acceptability of commercial terms.

¹ The technology at each biogas producer site will be selected on a case-by-case basis with the size of the facility, volume of biogas, and operating costs all playing a role in the technology selection.

The Biogas Conditioning & Upgrading Services Tariff provides an avenue for SoCalGas to support biogas projects. Under the proposed tariff service, the utility provides a biogas service which functions as an infrastructure option for the tariff customer, thereby offering significant benefits with virtually no downside.

The tariff makes available an option not otherwise available to biogas producers, allowing tariff customers to utilize bioenergy without the need to directly procure or provide for the associated capital investment, facility development, or the costs and responsibilities for operation and maintenance of the BC Facilities. As shown in the below referenced testimony, attached to this Application and incorporated herein by reference, approval of this Application will allow expanded use of bioenergy resources to provide environmental benefits to natural gas ratepayers which is encouraged by both state law and Commission policy. As such, the Biogas Conditioning & Upgrading Services Tariff should be approved by this Commission.

III. SUPPORTING TESTIMONY

In support of the Application, SoCalGas attaches, and incorporates herein by reference, the testimony of the following witnesses:

- **Chapter 1 (Jeff Reed)** – This Chapter discusses the policy foundations for the proposed Biogas Conditioning/Upgrading Services Tariff and describes how the proposed tariff is consistent with and supportive of state law and policy objectives.
- **Chapter 2 (Jim Lucas)** — This Chapter describes the proposed biogas conditioning and upgrading services and how the services will be delivered to customers.
- **Chapter 3 (Krystal Joscelyne)** — This Chapter provides a detailed description of the accounting procedures and controls that will be put in place to ensure that the costs of

the biogas conditioning and upgrading services are paid for by customers of the services.

**IV.
STATUTORY AND PROCEDURAL REQUIREMENTS**

A. Category, Need for Hearings, Issues, and Schedule - Rule 2(1)(c)

1. Category

SoCalGas proposes that this proceeding be categorized as “ratesetting” within the meaning of Commission Rules 1.3(e) and 7.1.

2. Need for Hearings

SoCalGas believes that evidentiary hearings may be required.

3. Issue to be Considered

The issue to be considered in this proceeding is whether the Commission should approve SoCalGas’ proposed Biogas Conditioning/Upgrading Services Tariff, which includes a request for authorization to create a standard pro-forma contract for Biogas Services.

4. Proposed Schedule

SoCalGas proposes the following schedule to achieve these goals:

<u>DATE</u>	<u>EVENT</u>
April 25, 2012	Application filing date
	Protests Due
	Replies to protests
	Prehearing conference
	Opening intervenor testimony
	Concurrent rebuttal testimony
	Evidentiary hearings (if needed)

Opening briefs

Reply briefs

CPUC issues Proposed Decision

CPUC issues Final Decision

B. Authority - Rule 2.1

This Application is filed in accordance with P.U. Code Sections 399.11 *et seq.*, 454, 454.5, 701, 1701, the Commission's Rules of Practice and Procedure and prior Commission decisions, orders and resolutions.

C. Corporate Information and Correspondence - Rules 2.1(a) and 2.1(b)

Applicant's legal name is Southern California Gas Company. SoCalGas is a public utility corporation organized and existing under the laws of the State of California, with its principal place of business and mailing address at 555 West Fifth Street, Los Angeles, California, 90013.

All correspondence and communications to SoCalGas regarding this Application should be addressed to:

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D. Organization and Qualification to Transact Business – Rule 2.2

A copy of SoCalGas' Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was filed with the Commission on October 1, 1998 in connection with SoCalGas' Application No. 98-10-012, and is incorporated herein by reference.

E. Balance Sheet and Income Statement – Rule 3.2(a)(1)

Attachment A to this Application is SoCalGas' Balance Sheet as of September 30, 2011. Attachment B to this Application is SoCalGas' Income Statement for the nine-month period ended September 30, 2011.

F. Rates - Rules 3.2(a)(2) and 3.2(a)(3)

No rate changes for SoCalGas will result from this Application.

G. Property and Equipment - Rule 3.2(a)(4)

A general description of SoCalGas' property and equipment was previously filed with the Commission on October 5, 2001, in connection with SoCalGas' Application No. 01-10-005 and is incorporated herein by reference. A statement of the original cost and depreciation reserve attributable thereto as of September 30, 2011 is Attachment C to this Application.

H. Summary of Earnings - Rules 3.2(a)(5) and (6)

Attachment D to this Application is a SoCalGas Summary of Earnings for the nine months ended September 30, 2011.

I. Depreciation - Rule 3.2(a)(7)

For financial statement purposes, depreciation of utility plant for SoCalGas has been computed on a straight-line remaining life basis at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SoCalGas generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954 and prior to 1981. For financial reporting and rate-fixing purposes, “flow through accounting” has been adopted for such properties. For tax property additions in years 1981 through 1986, SoCalGas has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SoCalGas has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

J. Proxy Statement - Rule 3.2(a)(8)

A copy of SoCalGas’ most recent proxy statement, dated April 27, 2011, as sent to all shareholders of SoCalGas’ parent company, Sempra Energy, was mailed to the Commission on May 4, 2011, and is incorporated herein by reference.

K. Pass Through of Costs - Rule 3.2(a)(10)

The new tariff SoCalGas seeks in this Application is forecasted to be rate neutral because tariff customers, not ratepayers, are funding the project.

L. Service and Notice - Rule 1.9

SoCalGas is serving this Application on all parties to the Commission's A.10-12-006, R.08-06-024 and R.09-08-009.

**V.
RELIEF REQUESTED**

SoCalGas respectfully requests that the Commission approve this Application in all respects including:

1. Approval of SoCalGas' Biogas Conditioning/Upgrading Services Tariff, including a pro-forma contract.
2. Approval of SoCalGas' ratemaking proposal.
3. Granting any other relief as necessary and proper.

**VI.
CONCLUSION**

WHEREFORE, SoCalGas respectfully requests that the Commission approve this Application in its entirety.

Dated this 25th day of April, 2012, in Los Angeles, California.

Respectfully submitted,

HAL SNYDER

Vice President – Customer Solutions

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VERIFICATION

I am an officer of Southern California Gas Company and am authorized to make this verification on its behalf. The matters stated in the foregoing Application are true to my own knowledge, except as to matters that are stated therein on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 25th day of April 2012, in Los Angeles, California.

HAL SNYDER
Vice President – Customer Solutions
SOUTHERN CALIFORNIA GAS COMPANY

ATTACHMENT A

Balance Sheet

ATTACHMENT B

Income Statement

ATTACHMENT C

Statement of Original Cost and Depreciation Reserve

ATTACHMENT D

Summary of Earnings

ATTACHMENT E

City and County Service List