

Application No.: A.12-04-024
Exhibit No.: SCG –
Date: March 8, 2013
Witness: Jeffrey Reed

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

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

SOUTHERN CALIFORNIA GAS COMPANY
BIOGAS CONDITIONING/UPGRADING SERVICES
REBUTTAL TESTIMONY

Prepared Direct Rebuttal Testimony
of
Jeffrey Reed

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

March 8, 2013

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- 1 o Both DRA and SCGC argue, without supporting evidence, that business risks of the
2 economic performance of biogas projects will accrue predominantly to ratepayers⁷,
3 and both argue that CST-style ratemaking will serve to protect ratepayers from this
4 risk.⁸ DRA argues that in addition, allowing the utility which is responsible for
5 maintaining gas quality standards to also participate in biogas conditioning will create
6 a conflict of interest and will expose ratepayers to additional risk.⁹ SCGC further
7 proposes that a 5% payment to ratepayers is necessary to compensate for the use of
8 customer databases acquired in the course of ratepayer-funded activities.¹⁰

9 The majority of points raised by the Intervenors have been addressed in SoCalGas’
10 application and the Intervenors introduce virtually no new factual information or evidence to
11 support their objections to SoCalGas’ proposed Biogas Conditioning/Upgrading Service (BCS).
12 The following testimony addresses the points raised in opposition to the proposed tariff, further
13 details the foundations of the BCS and reiterates why its approval is in the interest of ratepayers.

14 More specifically, the key points are:

- 15 1. SoCalGas’ proposed ratemaking is adequate to protect ratepayers from harm and any
16 costs potentially born by ratepayers are justified by benefits accruing to ratepayers
17 and are subject to a determination by the Commission that the bearing of such costs is
18 in the public interest.
- 19 2. The Commission is required under California Public Utilities Code section 740.8 to
20 include consideration of environmental benefits in assessing the ratepayer benefit and
21 public interest of utility programs and activities that promote the advancement of
22 alternative motor vehicle fuels such as BCS and there is strong policy foundation for
23 considering such benefits for other applications of biomethane as well such as RPS
24 compliance.

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27 ⁷ DRA Page 19-20; SCGC Page 2-6.

⁸ DRA Page 27-29; SCGC Page 6-7.

⁹ DRA Page 23-25.

28 ¹⁰ SCGC Page 7-8.

- 1 3. The proposed BCS will create unique benefits for ratepayers. Biogas conditioning
2 service undertaken by any party other than SoCalGas has no bearing on the unique
3 benefits to ratepayers provided by the BCS as proposed. The state of the biogas
4 market and the nature of the service provided lead to the conclusion that the proposed
5 BCS service will lead to development of projects that would not otherwise be
6 undertaken in the near term if at all.
- 7 4. The BCS proposal will be undertaken in a manner which does not unfairly compete
8 with non-utility market participants and will expand market opportunities for biogas
9 market participants. The Commission has the authority to allow SoCalGas to
10 participate in a contestable market, and is able to provide the structure and oversight
11 necessary to protect competitive markets from harm.
- 12 5. There is market demand for the BCS as evidenced by customer requests and the
13 absence of progress in meeting the state's goals for development of biogas.
- 14 6. The BCS Application is not premature but rather it is timely, addressing a current
15 need to accelerate development of biogas projects and standards for biomethane
16 transportation on the SoCalGas system already exist.
- 17 7. The incremental liability incurred by SoCalGas by conditioning additional gas under
18 special contracts is minimal. In addition, the constituents in raw biogas and means
19 for conditioning the gas and ensuring its compliance with contractual and/or tariff
20 standards are well understood by SoCalGas.
- 21 8. There is no basis for the assertion that SoCalGas, as the provider of service under the
22 BCS, would attempt to circumvent interconnection rules or compliance with gas
23 quality standards. Separation of duties and information protection between the staff
24 working on the BCS and those responsible for interconnection and gas quality
25 monitoring and associated compliance actions (shut ins) make such activity virtually
26 impossible absent behavior that violates the law, Commission orders and the SCG
27 Code of Business Conduct.

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1 9. The parent holding company of SoCalGas or any other party may decide to offer
2 biogas conditioning services at any time without the approval of the Commission.
3 Such activity is not within the scope of the instant application and has no relevance to
4 whether the proposed tariff is in the public interest.

5 10. SoCalGas has sound reasons for proposing different ratemaking for the BCS than
6 what was proposed in AL 4172. As noted in the rejection of AL 4172, the proposed
7 treatment was expected to be controversial and would require the Commission to
8 establish new policy. SoCalGas therefore elected to make a similar proposal
9 requiring no new policy. Most of the policy foundation for the BCS was validated in
10 the recent CST decision D.12-12-037.

11 11. SCGC's proposal to burden BCS projects with a 5% payment to ratepayers is offered
12 without justification or evidentiary support and is unnecessary given that use of
13 embedded resources used in support of the BCS will be reimbursed, there are net
14 benefits to ratepayers and the Commission has recently affirmed that the utility brand
15 and reputation are not monopoly endowments belonging to ratepayers.¹¹

16 **II. SOCIALGAS' PROPOSED RATEMAKING IS APPROPRIATE AND PROVIDES**
17 **NET BENEFIT TO RATEPAYERS**

18 As discussed more fully in the testimony of witness Joscelyne, under the proposed
19 ratemaking, SoCalGas will charge the BCS customer the full cost of providing service including
20 applicable overheads. Because shareholders face substantial financial exposure prior to any
21 potential request for cost recovery (which would not retroactively recover any financial loss
22 incurred prior to a GRC request for future recovery), SoCalGas has a strong interest in ensuring
23 that cost forecasts and credit provisions are adequate to ensure a very low likelihood that BCS
24 costs will exceed tariff customer revenues. Contrary to DRA's position¹², SoCalGas has
25 absolutely no incentive and in fact, has a strong incentive not to "under price" projects.

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27 ¹¹ D.12-12-037 Page 34, "although SoCalGas may have acquired brand equity from its provision of services in a
28 responsible way, this is not an 'unfair' advantage it possesses because it is a utility. The Commission has wide
experience with other utilities whose treatment of customers or provision of services has reduced brand equity."

¹² DRA Page 20-21.

1 In the more likely scenario, contract revenues will exceed costs (including authorized
2 return) and ratepayers as a whole will receive direct financial benefits in the form of
3 miscellaneous revenues above costs collected through rates after projects are rolled into rates at
4 the first GRC following the project going into service. In addition, ratepayers will receive
5 environmental and other benefits associated with BCS projects while advancing Commission
6 policy. For instance, as described in Chapter 2 of SoCalGas' opening testimony, the benefit in
7 terms of greenhouse gas emissions reduction of operating a single food waste diversion project,
8 roughly a \$15 million investment, is over 56,000 MTCOe/year with a value of \$2.1 million; the
9 equivalent of taking 11,000 cars off the road. Ratepayers will not receive the financial value of
10 carbon credits but enjoy the environmental benefits associated with the GHG reduction enabled
11 by BCS projects. In addition, such a project would eliminate some 411 tons per day of organic
12 waste from being disposed. Therefore, the proposed ratemaking is likely to produce net financial
13 and non-financial benefits to ratepayers, is in the public interest and should be approved as
14 proposed.

15 Interveners have suggested that the ratemaking treatment ordered in D.12-12-037 dealing
16 with provision of compressions services (primarily to serve an established market for
17 compressed natural gas as a transportation fuel) would be appropriately applied to BCS.
18 Although there are similar policy foundations for the CST and the BCS proposed in the instant
19 application, the competitive market analysis differs substantially as there is no established
20 market for biogas conditioning services and parties agree that the biogas market in general is in
21 its infancy. This difference justifies a fresh look at this issue by the Commission. A
22 hypothetical cost recovery from ratepayers under limited circumstances and subject to
23 Commission approval, as a potential risk protection behind a substantial loss exposure for
24 shareholders, will not change the way in which SoCalGas prices the Biogas Conditioning
25 Service. Thus, hypothetical cost assumption by ratepayers would not have any impact on pricing
26 dynamics in the competitive market nor provide SoCalGas an unfair competitive advantage.

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1 **III. P.U. CODE 740.8 REQUIRES THAT THE COMMISSION CONSIDER**
2 **ENVIRONMENTAL BENEFITS IN EVALUATING THE BCS PROPOSAL**

3 DRA’s analysis concluding that the definition of ratepayer interests in P.U. Code 740.8
4 does not apply to BCS¹³ is incorrect. BCS would certainly fall within the scope of the definition
5 of 740.8 as biogas is a renewable resource that can be used as a low-carbon vehicle fuel under
6 the Low Carbon Fuel Standard program. In fact, biomethane has the lowest carbon intensity of
7 all fuels certified under the LCFS.

8 In addition, Biogas produced in the state of California and transported over the natural
9 gas pipeline system can be nominated to a certified generation facility for RPS compliance. The
10 Commission has a long-standing policy of including environmental benefits in assessing utility
11 programs including the Market Price Referent formulation used to determine cost effectiveness
12 of renewable power proposals.

13 DRA argues that ratepayer funds should not be used to jumpstart a struggling market.¹⁴
14 SoCalGas has not proposed to use “ratepayer funds”; on the contrary, the application proposes a
15 tariff under which all costs are borne by tariff customers, not general ratepayers. The
16 Commission has broad authority to assess ratepayer benefits and the public interest in
17 authorizing utility programs including environmental and societal benefits. The Biogas
18 Conditioning Service proposal advances articulated and important state policy goals while
19 providing net benefits to ratepayers. The small likelihood that ratepayers will be asked to bear
20 any program costs is balanced by certain environmental benefits and a likelihood of direct
21 financial benefits that more than justify Commission approval of the proposed Biogas
22 Conditioning Service. Of the 22 projects listed in the agricultural project database referenced by
23 DRA,¹⁵ only two cited economic factors as a cause of shutdown, and, as discussed thoroughly in
24 the Rebuttal Testimony of witness Lucas, those are attributable to an inability to benefit from the
25 production of excess energy through net metering – not to inherent risks of the biogas production
26 business and there is no reason to believe that the project outcomes for those projects would have

27 ¹³ DRA Page 13-14.

28 ¹⁴ DRA Page 12-13.

¹⁵ EPA’s AgStar Anaerobic Digester Database - www.epa.gov/agstar/downloads/digesters_all.xls

1 occurred under a BCS framework nor whether they would have passed the project screening
2 criteria of SoCalGas. Further, SoCalGas has not been able to identify any of the 156 wastewater
3 treatment facilities with digesters that has interrupted gas supply due to economic factors, and
4 the large waste hauling companies have more than adequate financial strength to guarantee their
5 obligations under the type of projects contemplated for BCS. The implication by DRA that BCS
6 projects are inherently risky or unviable projects is entirely without basis and ignores that fact
7 that shareholders would bear the primary brunt of financial losses if that were the case.

8 **IV. BCS PROVIDES UNIQUE RATEPAYER BENEFITS**

9 The BCS is a new offering intended to offer an avenue for owners of biogas resources to
10 develop their resources in a way that does not currently exist. As the Commission found in
11 D.12-12-037, such service offering is likely to generate incremental demand.¹⁶ In addition, the
12 experience base developed through the provision of BCS service will provide the reference
13 projects demanded by the project finance community. This will help accelerate overall
14 development of the biogas sector in alignment with Commission goals as articulated in the
15 Bioenergy Action Plan. This too will provide ratepayer benefits that are directly attributable to
16 the BCS offering.

17 **V. BCS WILL NOT UNFAIRLY COMPETE**

18 DRA alleges that SoCalGas' "market power" will threaten competitive markets if
19 SoCalGas is allowed to provide biogas conditioning service, citing a "ratepayer funded utility
20 staff," "ratepayer-funded insurance," "brand equity," "customer information" not available to
21 other participants, and "advanced knowledge of any biogas producer" as unfair advantages that
22 would be detrimental to the development of competitive markets. All of these competitive issues
23 are either inherently not unfair advantages or can be fully neutralized through appropriate
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26 ¹⁶ D.12-12-037, Finding of Fact 20, "The CST will lead to an incremental expansion in the use of natural gas in the
27 Los Angeles area" and at Page 49, "We find particularly unconvincing the argument that SoCalGas both has an
28 advantage that will enable it to price CST services at lower costs yet these lower prices will lead to no incremental
demand. The expansion in the use of natural gas in the Los Angeles area will certainly reduce the health and
environmental impacts from air pollution and increase the use of alternative fuels."

1 competitively neutral provisions such as those adopted in the CST decision D.12-12-037.¹⁷

2 DRA's assertions that ratepayers will bear incremental costs related to the utility staff are
3 unfounded. All costs of the tariff are to be recovered from tariff customers, including the costs
4 of utility staff deployed providing tariff service. DRA seems to acknowledge that "depending on
5 the accuracy and veracity of SoCalGas' record keeping," all staff costs will in fact be borne by
6 tariff customers. The Rebuttal Testimony of witness Joscelyne details the incremental costs and
7 record keeping systems in place at SoCalGas.

8 SoCalGas' "brand equity" – its positive reputation and customer satisfaction -- has been
9 earned through provision of excellent service and is a shareholder asset. It is neither unfair nor
10 derived as a direct result of the fact that SoCalGas provides the majority of its services on a
11 regulated monopoly basis. The Commission found in D.12-12-037 that "SoCalGas's reputation
12 with customers, for good or for bad, does not provide it with an unfair competitive advantage,"¹⁸
13 reasoning that, "although SoCalGas may have acquired brand equity from its provision of
14 services in a responsible way, this is not an 'unfair' advantage it possesses because it is a utility.
15 The Commission has wide experience with other utilities whose treatment of customers or
16 provision of services has reduced brand equity."¹⁹ Further, the Commission has allowed, under
17 the Affiliate Transaction Rules, affiliates operating within California the ability to use the utility
18 name requiring only that the company be clearly identified as separate from the utility. By
19 allowing the use of the company name by an affiliate in a competitive market clearly
20 demonstrates that the Commission does not consider the use "unfair".

21 DRA further argues that SoCalGas' access to customer information is an unfair
22 advantage that would harm competition if SoCalGas were allowed to participate in biogas
23 conditioning.²⁰ In fact, the customer information acquired by SoCalGas in the course of

25 ¹⁷ D.12-12-037 Conclusion of Law 18, "Since the CST is in the public interest, and since the pricing methodology
26 assures reasonable rates, and since the reporting, cost tracking and marketing regulations prevent SoCalGas from
acquiring an unfair competitive advantage, authorizing the filing of tariffs for CST is consistent with the law."

27 ¹⁸ D.12-12-037 Finding of Fact 15.

28 ¹⁹ D.12-12-037 Page 34.

²⁰ DRA Page 11 "SoCalGas will be aware of the amount of biogas being injected into the utility distribution system
from every biogas producer in SoCalGas service territory. Such information could allow SoCalGas to undercut
competitors, target sales leads, and cherry pick biogas conditioning customers."

1 providing monopoly gas distribution service is of little value in identifying potential biogas
2 conditioning customers. Identification of potential customers can be easily accomplished
3 through industry and trade organizations and does not require proprietary SoCalGas customer
4 information. This point also was noted in D.12-12-037.²¹

5 The SoCalGas group that manages interconnection requests and Tariff Rule 39 is a
6 separate group that does not share information on interconnection activities with individuals not
7 involved in the interconnection process. Specifically, staff involved in developing BCS projects
8 would not be involved in interconnection activities which are the responsibility of the BCS
9 customer or the customer's representative. Similarly, the staff responsible for monitoring gas
10 quality and determining actions necessary to ensure compliance with standards are distinct from
11 the group that will be working on BCS projects and would be violating policy and Commission
12 orders if they showed any preference of BCS projects. Protective measures, such as those
13 ordered in D.12-12-037, can easily be put in place.

14 **VI. THERE IS MARKET NEED AND CUSTOMER DEMAND FOR BCS**

15 Intervenors contend that there is no need for the proposed service, that the biogas market
16 does not need to be "jump started" and that the barriers to market development will not be
17 addressed by the proposed BCS. SoCalGas disagrees with these assertions. The 2011 Bioenergy
18 Action Plan and AB1900, as discussed in my supplemental testimony, demonstrate that, in fact,
19 more action is needed to develop biofuels resources. SoCalGas has no burden to demonstrate
20 that the BCS is the only program that will support that goal, or even that it is the best.
21 SoCalGas' burden is to demonstrate that the program is in the public interest and has done so by
22 demonstrating that the program will advance Commission policy and provide net ratepayers
23 benefits and will do so in a way that does not unfairly compete with non-utilities by employing
24 fully-compensatory pricing and competitively neutral promotion of the service including various
25 protective provisions that can be easily adopted.

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28 ²¹ D.12-12-037 Finding of Fact 16, "SoCalGas's access to customer information does not provide it with unfair competitive advantage in the provision of compressed gas services because the customer information does not provide information on who would desire compressed gas services."

1 DRA erroneously asserts that the primary barrier to market biogas market development is
2 the low price of natural gas at \$3 to \$4 per MMBTU versus a biomethane cost range of \$11 to
3 \$23 per MMBTU.²² This analysis is flawed as discussed in more detail in the Rebuttal
4 Testimony of witness Lucas. The cost estimates over-estimate the cost of a typical BCS project
5 and wrongly imply that project viability is dependent upon biomethane projects achieving cost
6 parity with conventional natural gas. Although it is likely the case that if biomethane were cost
7 competitive with conventional natural gas that more projects would be built. However,
8 biomethane is a renewable resource so the price of conventional gas is not the appropriate
9 comparison.

10 **VII. THE BCS APPLICATION IS NOT PREMATURE AND SHOULD BE**
11 **APPROVED WITHOUT DELAY**

12 The BCS Applications is not premature but rather it is timely, addressing a current need
13 to accelerate development of biogas projects. SoCalGas already has standards in place
14 permitting the acceptance of non-landfill biogas into the SoCalGas system and there is no reason
15 to delay consideration of the instant application. DRA argues that AB 1900 and OIR (R.13-02-
16 008) make the instant application “premature.” OIR (R.13-02-008) and the Bioenergy Action
17 Plan demonstrate the strong interest of the state in expanding the development of biogas
18 resources. As stated above, SoCalGas Rule 30 currently allows for the introduction of compliant
19 biomethane onto the SoCalGas system. There is no reason to delay consideration of the BCS
20 application. SoCalGas will continue to meet gas quality standards in effect including
21 incorporation of any changes that may result from R.13-02-008. Gas quality standards are not at
22 issue in the BCS application and are not identified in the Scoping Ruling.

23 SoCalGas has invested significant effort over the past several years in studying non-
24 landfill biogas composition gas and establishing monitoring protocols and action limits to ensure
25 compliance quality standards and monitoring protocols in place to accept biogas onto its system.
26 One project in San Diego is already injecting gas under these same standards and protocols.

28 ²² DRA Page 18.

1 Currently, developers have the right to inject compliant, conditioned biogas onto SoCalGas
2 system regardless of the outcome of the BCS application.

3 **VIII. ANY POTENTIAL INCREASE IN LIABILITY TO SOCIALGAS BY THE BCS IS**
4 **IMMATERIAL AND IS COMPENSATE THROUGH BCS CUSTOMER PAYMENTS**

5 DRA raises the concern that entering into the biogas conditioning business will impose
6 new liability on SoCalGas that may put ratepayers at risk stating, “By proposing to enter into the
7 gas processing production business, SoCalGas is opening itself and its ratepayers up to a new
8 level of potential liability.”²³ SoCalGas disagrees with this assertion. The incremental liability
9 incurred by SoCalGas by conditioning additional gas under BCS special contracts is minimal.
10 Conditioning of biogas is technically similar to conditioning other raw gas. As described in the
11 testimony of witness Lucas, SoCalGas has extensive experience in gas conditioning. SCG has
12 conducted extensive studies and analysis of the constituents in the biogas sources and assesses
13 the risks to safety and health associated with provision of BCS as extremely small.

14 Additionally, the tariff customer is required to carry substantial pollution liability and
15 other insurance as part of the services agreement.²⁴ Finally, repeated references to SoCalGas
16 entering the biogas production business should be completely ignored as that is not part of the
17 scope of the BCS application.²⁵

18 **IX. BCS PROJECTS WILL BE SUBJECT TO THE SAME INTERCONNECTION**
19 **REQUIREMENTS AND GAS QUALITY STANDARDS AS ANY OTHER PROJECTS**

20 There is no basis for the assertion that SoCalGas, as the provider of service under the
21 BCS, would attempt to circumvent interconnection rules (governed by Tariff Rule 39) or
22 compliance with gas quality standards (governed by Tariff Rule 30). Separation of duties and
23 information protection between the staff working on the BCS and those responsible for

24 ²³ DRA Page 23.

25 ²⁴ See A.12-04-024 April 25, 2012 Appendix C: Biogas Conditioning/Upgrading Services Agreement Article 13,
“Insurance, Credit, and Security Requirements.”

26 ²⁵ See Chapter 2 Direct Testimony of Ron Goodman at Page 2, “SoCalGas requests Commission approval in this
27 Application to establish a new tariff to offer Biogas Conditioning/Upgrading Services ... to meet the current and
28 future needs of biogas producers seeking to upgrade their biogas...” and further at Page 3, “SoCalGas will not own
the biogas entering the biogas conditioning/upgrading facility or the processed renewable natural gas leaving the
biogas conditioning/upgrading facility. SoCalGas’ role will be to process the tariff service customer’s biogas and
condition/upgrade it...”

1 interconnection and gas quality monitoring and associated compliance actions (shut ins) make
2 such activity virtually impossible absent behavior that violates the law, Commission orders and
3 the SCG Code of Business Conduct. The group responsible for interconnection under Rule 39
4 does not provide information on customer requests for interconnection to any staff not directly
5 involved in the interconnection process. This would specifically include SCG staff working on
6 BCS projects. BCS customers will be informed that the BCS tariff is optional and is not tied to
7 any other utility tariff services and the election to take or not to take BCS service will have no
8 impact on the manner in which they receive any other service.

9 Similarly, the staff responsible for monitoring gas quality and taking action should action
10 limits or standards be exceeded are independent from the staff that will develop BCS projects.
11 SCG today conditions gas withdrawn from its storage facilities providing SCG with extensive
12 experience in gas conditioning.

13 Once again, any tying or preferential treatment of BCS projects would be in violation of
14 Commission order and the SoCalGas Code of Business Conduct. Beyond being unethical, such
15 behavior would not be in the long-term business interest of SoCalGas. Reporting requirements
16 and customer certifications, as were adopted in D.12-12-037 can be employed for BCS to verify
17 compliance.

18 **X. CONSIDERTATIONS OF SERVICES PROVIDED BY AFFILIATES HAVE NO**
19 **BEARING ON THE BCS PROPOSAL**

20 DRA argues that the utility must be barred from providing biogas conditioning service
21 and that if SoCalGas' corporate parent wishes to engage in that business, "the appropriate way to
22 do so is through an unregulated affiliate." SoCalGas is not in a position to discuss the business
23 plans of its unregulated affiliates. However, offering the proposed tariff service as a utility
24 offering provides the benefit of ongoing Commission oversight and application of important
25 Commission policies such as procurement preference for Diverse Business Enterprises.

26 The parent holding company of SoCalGas or any other party may decide to offer biogas
27 conditioning services at any time without the approval of the Commission. Such activity is not
28 within the scope of the instant application and has no relevance to whether the proposed tariff is

1 in the public interest.

2 Moreover, DRA’s assertion that, if a Sempra affiliate were in fact to pursue biogas
3 conditioning, it “would realize any potential environmental benefits resulting from the service,”
4 implies that SoCalGas BCS projects would be undertaken by other parties if the BCS were not
5 approved. There is no evidence on the record to justify that claim. SoCalGas asserts that it is
6 highly likely that the proposed tariff will create an increase in overall capital investment in
7 biogas infrastructure. The fundamental basis for this belief is that the introduction of the BCS as
8 a new option, that is not unfairly competitive, will increase market transparency and create more
9 robust competition among a wider group of market participants. This will stimulate biogas
10 adoption and increase overall capital investment in biogas production.

11 **XI. SOCALGAS HAS SOUND REASONS FOR NOT REQUESTING THE RATE**
12 **TREATMENT PROPOSED IN AL 4172**

13 SoCalGas has sound reasons for proposing different ratemaking for the BCS than what
14 was proposed in AL 4172. As noted in the rejection of AL 4172, the proposed treatment was
15 expected to be controversial and would require the Commission to establish new policy that was
16 set to be addressed in the general rate case.²⁶ SoCalGas therefore elected to make a similar
17 proposal requiring no new policy. The policy foundations are similar in many respects between
18 BCS and the Compression Service Tariff recently approved decision D.12-12-037. That decision
19 validates SoCalGas view that the proposed BCS is within current Commission policy and does
20 not require new policy to be set. The CST approval did order ratemaking treatment that differs
21 from what is proposed in the BCS, however, as discussed in Section I. above, the biogas market
22 is in its very early stages of development and so justifies a different analysis with regard to
23 ratemaking.

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26 ²⁶ “The mechanism proposed for sharing proceeds from the development and sale of these services, as described in
27 these advice letters, was also proposed for all NTP&S programs at these utilities in A.10-12-006, currently under
28 the advice letter process.” Re: Rejection without prejudice of Advice Letter 1991-G by San Diego Gas & Electric
Company and Advice No. 4172 by Southern California Gas Company August 9, 2011, Page 2.

1 **XII. SCGC PROPOSAL FOR A 5% PAYMENT FOR CUSTOMER ACCESS IS**
2 **WITHOUT BASIS AND SHOULD BE REJECTED**

3 SCGC’s proposal to burden each BCS project with a 5% payment to ratepayers to
4 compensate for “the use of customer-specific databases”²⁷ is offered without justification or
5 evidentiary support. First, SoCalGas’ proprietary customer information is of very limited use in
6 identifying prospective customers of BCS. Information on owners of biogas feedstock is
7 generally available to all market participants through trade and industry organizations. Second,
8 ratepayers will be compensated for the use of any imbedded resources used in the promotion of
9 the BCS service and will receive net benefits (benefits in excess of any hypothetical costs they
10 might incur) without the need for any sort of surcharge. Finally, the Commission has recently
11 affirmed that the utility brand and reputation are not monopoly endowments belonging to
12 ratepayers.²⁸ SCGC provided no evidence or analysis of any kind to support the 5% payment it
13 recommends, nor to support why any payment at all is justified.

14 This concludes my prepared rebuttal testimony.
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26 ²⁷ SCGC Page 8

27 ²⁸ D.12-12-037 Page 34, “although SoCalGas may have acquired brand equity from its provision of services in a
28 responsible way, this is not an ‘unfair’ advantage it possesses because it is a utility. The Commission has wide
experience with other utilities whose treatment of customers or provision of services has reduced brand equity.”