

RULE NO. 22

BIOMETHANE GAS

APPLICABILITY

This Rule applies to suppliers of Biomethane Gas and provides the general terms and conditions that apply to the interconnection between a Biomethane Gas supplier's facilities and the Company's facilities and the Company's receipt of Biomethane Gas into its system from such interconnection point(s). This Rule is intended to implement Decision (D.) 14-01-034, including rules regarding Constituent concentration standards, monitoring and testing requirements, and reporting and recordkeeping requirements.

A. DEFINITIONS

ARB: Air Resources Board of the California Environmental Protection Agency.

Biogas: A mixture of methane and carbon dioxide that is produced by the anaerobic digestion with anaerobic bacteria or fermentation of biodegradable materials such as biomass (manure, sewage, green waste, plant material, crops, and municipal waste or landfills).

Biomethane Gas: Biogas that has been treated by removing condensable constituents, minimizing the concentration of certain impurities and adding a warning odorant.

CARB/OEHHA Report: *Recommendations to the California Public Utilities Commission Regarding Health Protective Standards for the Injection of Biomethane into the Common Carrier Pipeline*, prepared by Staff of the California Air Resources Board and the Office of Health Hazard Assessment. The CARB/OEHHA Report was submitted in Rulemaking 13-02-008 and adopted in D.14-01-034.

Constituent of Concern (Constituent): A chemical or compound that may impact the merchantability of Biomethane Gas.

(a) Health Protective Constituents include:

1. Carcinogenic (cancer risk): arsenic, p-Dichlorobenzene, ethylbenzene, n-Nitroso-di-n-propylamine, and vinyl chloride.

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A. DEFINITIONS (Continued)

2. Non-carcinogenic (non-cancer risk or chronic risk):
antimony, copper, hydrogen sulfide, lead, mercaptans
(alkyl thiols), methacrolein, and toluene.

(b) Pipeline Integrity Protective Constituents include:
ammonia, biologicals, hydrogen, mercury, and siloxanes.

Group 1 Compound: Any Health Protective Constituent with a concentration below the test detection level or below the Trigger Level.

Group 2 Compound: Any Health Protective Constituent with a concentration at or above the Trigger Level.

Hazardous Waste Landfill: For the purposes of this Rule, hazardous waste landfill shall be given the same definition as provided in the California Health and Safety Code, including facilities permitted by the Department of Toxic Substances Control.

Lower Action Level: Where applicable, a testing level used to screen Biomethane Gas during the initial gas quality review and as an ongoing screening level during periodic testing.

Merchantability: The ability to purchase, sell or market Biomethane Gas.

OEHHA: Office of Environmental Health Hazard Assessment.

Trigger Level: Constituents found at or above the Trigger Level require additional periodic testing and analysis.

Upgrading: Increasing the percentage of methane in Biogas by removing carbon dioxide and other trace components to achieve pipeline quality gas (Biomethane Gas).

Upper Action Level: A testing level that if reached for any Constituent results in immediate shut-off of Biomethane Gas supply.

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B. BIOMETHANE GAS SPECIFICATIONS

1. Biomethane Gas must meet the gas quality specifications identified in this Rule and the Company's Rule No. 21, Transportation of Customer-Secured Natural Gas, of this California Gas Tariff, as adopted and periodically updated by the Commission.
2. Biomethane Gas received into the Company's system shall conform to the following quality specifications at the time of receipt:
 - a. Biomethane Gas must be free from bacteria, pathogens, dust, sand, dirt, gums, oils, and/or any other substances at levels that would be injurious to the Company's facilities, and/or to render the gas unmerchantable.
 - b. Biomethane Gas delivered into the Company's system at the point(s) of receipt shall be at a pressure that can be integrated into the Company's system.
 - c. Delivery Temperature: Biomethane Gas delivery temperature is not to be below 40 degrees Fahrenheit or above 120 degrees Fahrenheit.
 - d. Biomethane Gas Interchangeability: Biomethane Gas shall be interchangeable with the gas in the Company's receiving pipeline. Biomethane Gas shall have a minimum Wobbe Number of 1280. Biomethane Gas shall meet American Gas Association's Lifting Index, Flashback Index and Yellow Tip Index interchangeability indices for high methane gas relative to a typical composition of gas in the Company's system serving the area. Acceptable specification ranges are: * Lifting Index (IL); IL <= 1.06; * Flashback Index (IF); IF <= 1.2; * Yellow Tip Index (IY) ; IY >= 0.8.
 - e. Inert gases: Biomethane Gas supplied shall not contain greater than 4% of total combined inert compounds, which includes maximums of 0.2% oxygen, 3% nitrogen; 2% carbon dioxide, and any other inert gas by total volume.
 - f. Sulfur: Biomethane Gas shall not contain more than 20 grains of total sulfur compounds, measured as sulfur, per 100 standard cubic feet or 380 ppm total sulfur. This includes COS and CS₂, hydrogen sulfide, mercaptans, and mono di and poly sulfides.

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B. BIOMETHANE GAS SPECIFICATIONS (Continued)

- g. Liquids: Biomethane Gas shall contain no liquids at, or immediately downstream of the receipt point(s).
 - h. Hydrocarbon Dew Point for Biomethane Gas is not to exceed 20 degrees Fahrenheit.
 - i. Water Content: Biomethane Gas received into the Company's system shall have a water content of less than 7 pounds per million standard cubic feet.
3. Biomethane Gas must not contain any hazardous substances at concentration levels which would prevent or unduly impact the merchantability of Biomethane Gas, be injurious to Company facilities, or which would present a health and/or safety hazard to Company employees, customers, and/or the public.
4. In addition to conforming to the specifications identified above, Biomethane Gas must also conform at the time of delivery to the following limits set forth in Table 1, which are specifically related to Biomethane Gas, and which may be adopted and periodically updated by the Commission:

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B. **BIOMETHANE GAS SPECIFICATIONS** *(Continued)*

Table 1 ¹ Concentration Standards for Biomethane Gas Constituents			
Constituent	Trigger Level	Lower Action Level	Upper Action Level
Health Protective Constituents			
<u>Carcinogenic</u>			
Arsenic	0.019 (0.006)	0.19 (0.06)	0.48 (0.15)
p-Dichlorobenzenes	5.7 (0.95)	57 (9.5)	140 (24)
Ethylbenzene	26 (6.0)	260 (60)	650 (150)
n-Nitroso-di-n-propylamine	0.033 (0.006)	0.33 (0.06)	0.81 (0.15)
Vinyl Chloride	0.84 (0.33)	8.4 (3.3)	21 (8.3)
<u>Non-Carcinogenic</u>			
Antimony	0.60 (0.12)	6.0 (1.2)	30 (6.1)
Copper	0.060 (0.02)	0.60 (0.23)	3.0 (1.2)
Hydrogen Sulfide	30 (22)	300 (216)	1,500 (1,080)
Lead	0.075 (0.009)	0.75 (0.09)	3.8 (0.44)
Methacrolein	1.1 (0.37)	11 (3.7)	53 (18)
Alkyl Thiols (Mercaptans)	N/A (12)	N/A (120)	N/A (610)
Toluene	904 (240)	9,000 (2,400)	45,000 (12,000)
<i>Pipeline Integrity Protective Constituents¹</i>			
Siloxanes	0.01 mg Si/m ³	0.1 mg Si/m ³	-
Ammonia	0.001%		-
Hydrogen	0.1%	-	-
Mercury	0.08 mg/m ³	-	-
Biologicals	4 x 10 ⁴ /scf (qPCR per APB, SRB, IOB group ²) and commercially free of bacteria of >0.2 micron filter	-	-

¹ The first number in Table 1, Health Protective Constituents, are in mg/m³, while the second number in () is in ppm_v.
² The Pipeline Integrity Protective Constituent Lower and Upper Action Level limits will be established in the Commission's next update proceeding. Until that time, Biomethane Gas that contains Pipeline Integrity Protective Constituents exceeding the Trigger Level, but lacking a Lower or Upper Action Level, will be analyzed and addressed on a case-by-case basis based on the Biomethane Gas' potential impact on the Company's pipeline system integrity. The Lower Action Level may be set at concentration levels equal or greater than the Trigger Level.
³ Acid-producing Bacteria [APB], Sulfate-reducing Bacteria [SRB], and Iron-oxidizing Bacteria [IOB]

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B. BIOMETHANE GAS SPECIFICATIONS (Continued)

5. Biomethane Gas must conform to the requirements listed in Table 2 below:

Table 2 Collective Risk from Carcinogenic and Non-Carcinogenic Health Protective Constituents			
Risk Management Levels	Risk from Carcinogenic Constituents (chances in a million)	Hazard Index from Non-Carcinogenic Constituents	Action
Trigger Level ^[1]	≥1.0	≥0.1	Periodic Testing Required
Lower Action Level ^[2]	≥10.0	≥1.0	Biomethane Gas supply shut-in after three exceedances in 12 months
Upper Action Level ^[3]	≥25.0	≥5.0	Immediate Biomethane Gas supply shut-in
^[1] Applies to individual Constituent concentrations ^[2] Applies to the sum of all Constituent concentrations over the Trigger Level. ^[3] Applies to individual Constituent concentrations or to the sum of all Constituent concentrations over the Trigger Level.			

6. Source-specific Biomethane Gas Testing shall vary based on the source of the Biomethane Gas:
- a. Biomethane Gas supplied by landfills shall be tested for all 17 Health and Pipeline Integrity Protective Constituents.
 - b. Biomethane Gas supplied by dairies shall be tested for Ethylbenzene, Hydrogen Sulfide, n-Nitroso-di-n-propylamine, Mercaptans, Toluene and all Pipeline Integrity Protective Constituents.
 - c. Biomethane Gas supplied by publicly owned treatment works (water and sewage treatment plants) and other sources of Biomethane Gas shall be tested for p-Dichlorobenzene, Ethylbenzene, Hydrogen Sulfide, Mercaptans, Toluene, Vinyl Chloride, and all Pipeline Integrity Protective Constituents.

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C. BIOMETHANE GAS TESTING

1. Pre-Injection Testing

- a. Prior to the injection of Biomethane Gas, the Biomethane Gas supplier shall conduct two tests over a two to four week period for the Constituents identified for that Biomethane Gas source in Section B.5 of this Rule.
- b. Testing will be performed by the Biomethane Gas supplier using independent certified third party laboratories. The Company shall be notified of the Biomethane Gas sampling and tests and have the option to observe the samples being taken. Test results will be shared with the Company within five (5) calendar days of the test results being received by the Biomethane Gas supplier.
- c. If during pre-injection testing Health Protective Constituents are found at or above the Trigger Level, the Biomethane Gas' collective cancer risk or non-cancer risk must be calculated. The collective cancer risk or non-cancer risk is the sum of all Health Protective Constituent concentrations above the Trigger Level, as specified in Section C.2.c.(i) of this Rule. If the collective cancer risk or non-cancer risk from Group 2 Compounds is at or above the Lower Action Level (the cancer risk Lower Action Level is ≥ 10 in a million and the non-cancer risk Lower Action Level is a hazard index of ≥ 1), the Biomethane Gas cannot be injected into the Company's pipeline system. The Biomethane Gas supplier shall make necessary modifications to lower the collective cancer risk or non-cancer risk below the Lower Action Level and restart pre-injection testing.
- d. If all the Health Protective Constituents in the Biomethane Gas are found to be below the Trigger Level or the collective cancer risk and non-cancer risk from the Group 2 Compounds are found to be below the Lower Action Level in both pre-injection tests, the Biomethane Gas may be injected into the Company's pipeline system subject to all other requirements set forth in this Rule.

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C. BIOMETHANE GAS TESTING *(Continued)*

1. Pre-Injection Testing *(Continued)*

- e. If during pre-injection testing Pipeline Integrity Protective Constituents are found at or above levels equivalent to the Lower Action Level, the Biomethane Gas may not be injected into the Company's pipeline system. The Biomethane Gas supplier shall make necessary modifications to lower the levels of the Pipeline Integrity Protective Constituents to levels below the Lower Action Level equivalent and restart pre-injection testing.
- f. If during pre-injection testing Pipeline Integrity Protective Constituents are found below levels equivalent to the Lower Action Level, the Biomethane Gas may be injected into the Company's pipeline system subject to all other requirements set forth in this Rule.

2. Periodic Testing

a. Group 1 Compounds

- (i) Group 1 Compounds shall be tested once every 12 month period in which injection of Biomethane Gas occurs.
- (ii) Any Group 1 Compound with a concentration below the test detection level or below the Trigger Level during two (2) consecutive annual periodic tests shall be tested once every two-year period in which injection of Biomethane Gas occurs.
- (iii) If annual periodic testing demonstrates that a Group 1 Compound is at or above the Trigger Level that compound becomes a Group 2 Compound and will be tested quarterly.

b. Group 2 Compounds

- (i) Group 2 Compounds shall be tested quarterly (at least once every three (3) month period in which Biomethane Gas injection occurs).

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C. BIOMETHANE GAS TESTING (Continued)

2. Periodic Testing (Continued)

b. Group 2 Compounds (Continued)

(ii) If the quarterly testing demonstrates that any Group 2 Compound is below the Trigger Level four (4) consecutive times, that compound becomes a Group 1 Compound and testing will be reduced to once every 12 month period in which Biomethane Gas injection occurs.

c. Collective risk for Carcinogenic and Non-Carcinogenic Health Protective Constituents

(i) Cancer Risk

The potential cancer risk for Group 2 compounds can be estimated by summing the individual potential cancer risk for each carcinogenic Health Protective Constituent. Specifically, the cancer risk can be calculated using the ratio of the concentration of the Health Protective Constituent in the Biomethane Gas to the health protective ("trigger") concentration value corresponding to one in a million cancer risk for that specific Health Protective Constituent and then summing the risk for all the Group 2 Compounds (for reference, see CARB/OEHHA Report, pg. 67).

Non-Cancer Risk

The non-cancer risk can be calculated using the ratio of the concentration of the Health Protective Constituent in Biomethane Gas to the health protective concentration value corresponding to a hazard quotient of 0.1 for that specific non-carcinogenic Health Protective Constituent, then multiplying the ratio by 0.1, and then summing the non-cancer chronic risk for these Group 2 Compounds (for reference, see CARB/OEHHA Report, p. 67).

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C. BIOMETHANE GAS TESTING (Continued)

2. Periodic Testing (Continued)

c. Collective risk for Carcinogenic and Non-Carcinogenic Health Protective Constituents (Continued)

(ii) If quarterly testing over a 12 month period demonstrates that the collective cancer risk or non-cancer risk for Group 2 Compounds is below the Lower Action Level, monitoring can be reduced to once every 12 month period in which Biomethane Gas injection occurs.

(iii) If annual periodic testing demonstrates that the collective cancer risk or non-cancer risk from Group 2 Compounds is at or above the Lower Action Level, then testing will revert to quarterly.

(iv) If the Biomethane Gas is not accepted into the Company's system in accordance with the requirements set forth in this Rule, testing for all Group 1 and Group 2 Compounds will be subject to the Biomethane Gas Restart Procedures set forth in Section C.4 of this Rule.

d. When a Pipeline Integrity Protective Constituent is found at or above levels equivalent to the Lower Action level three times in a 12 month period, the Biomethane Gas shall be shut-in and subject to the Biomethane Gas Restart Procedures set forth in Section C.4 of this Rule.

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C. BIOMETHANE GAS TESTING (Continued)

3. Continuous Monitoring of Upgrading Process Integrity

Absent an agreement otherwise, the Biomethane Gas supplier's compliance with the specifications set forth in this Rule and the Company's Rule No. 21, Transportation of Customer-Secured Natural Gas, shall be used as an indicator that the upgrading system is effectively conditioning and upgrading the Biomethane Gas. If the continuous monitoring indicates that the Biomethane Gas has not been adequately or sufficiently conditioned and upgraded, the Company may accelerate the periodic testing schedule and initiate testing. Accelerated periodic testing shall count toward the recommended periodic testing requirements described herein.

4. Biomethane Gas Restart Procedures

a. Health Protective Constituents

- (i) Under Biomethane Gas restart procedures, the Biomethane Gas supplier will perform an initial test. If the test determines the collective cancer risk or non-cancer risk from Health Protective Constituents is below the Lower Action Level, injection can resume subject to periodic testing requirements set forth in Section C.2 of this Rule and shall be reevaluated by the Company for eligibility for less frequent testing.
- (ii) Restart procedures shall be initiated for all Health Protective Constituents when any of the following occurs:
 - (a) A change in the Biogas source at the facility or the upgrading equipment design that the Commission, in consultation with ARB and OEHHA, determines will potentially increase the level of any Health Protective Constituent over the previously measured baseline levels.
 - (b) A shut-off of Biomethane Gas to the Company pipeline occurs because testing indicates a collective cancer risk or non-cancer risk from Group 2 Compounds at or above the Lower Action Level three (3) times in a 12 month period.

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C. BIOMETHANE GAS TESTING (Continued)

4. Biomethane Gas Restart Procedures (Continued)

a. Health Protective Constituents (Continued)

(c) A shut-off of Biomethane Gas to the Company pipeline occurs because a Health Protective Constituent concentration or the collective cancer risk or non-cancer risk from Group 2 Compounds is at or above the Upper Action Level (the cancer risk Upper Action Level is ≥ 25 in a million and the non-cancer risk Upper Action Level is a hazard index of ≥ 5 as noted in Table 2 of this Rule).

(iii) After Biomethane Gas supply has restarted, periodic testing for all Group 1 and Group 2 Compounds will be performed as set forth in Section C.2 of this Rule.

b. Pipeline Integrity Protective Constituents

A shut-off of Biomethane Gas to the Company pipeline occurs when a Pipeline Integrity Protective Constituent is found at or above levels equivalent to the Lower Action Level three times in a 12 month period. Under Biomethane Gas restart procedures, the Biomethane Gas supplier will perform an initial test. If the test determines the Pipeline Integrity Protective Constituents are below levels equivalent to the Lower Action Level, injection can resume subject to periodic testing requirements set forth in Section C.2 of this Rule and shall be reevaluated by the Company for eligibility for less frequent testing.

5. Testing Procedures

The Company will collect samples at the receipt point. Biomethane Gas suppliers will collect samples upstream of the Company meter. Samples will be analyzed by independent certified third party laboratories. Testing for Health Protective Constituents shall be by the methods specified in Table V-4, pg. 66, of the CARB/OEHHA Report. Testing for Pipeline Integrity Protective Constituents shall be the methods approved in D.14-01-034. Retesting shall be allowed to verify and validate the results. The cost of retesting shall be borne by the entity requesting the retest.

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C. BIOMETHANE GAS TESTING (Continued)

6. Recordkeeping and Reporting Requirements

Recordkeeping and reporting will be performed in accordance with the requirements set forth in D.14-01-034 and as specified in the CARB/OEHHA Report.

7. This Rule does not prohibit the Company from engaging in discretionary gas or facility testing on its system. The Biomethane Gas supplier will not be financially responsible for Company discretionary testing.

D. PROHIBITION OF BIOMETHANE GAS FROM HAZARDOUS WASTE LANDFILLS

1. Biomethane Gas from hazardous waste landfills, including landfills permitted by the Department of Toxic Substances Control, will not be purchased, accepted or transported.
2. Before a Biomethane Gas supplier can interconnect with the Company's pipeline system, the Biomethane Gas supplier must demonstrate that the Biogas was not collected from a landfill that is or was designated a hazardous waste landfill.

E. OPEN ACCESS TO INTERCONNECTION OF BIOMETHANE GAS SUPPLY

The Company shall provide non-discriminatory open access to its pipeline system to any Biomethane Gas supplier for the purpose of physically interconnecting with the Company's pipeline system and effectuating the delivery of Biomethane Gas into the Company's pipeline system. This open access to the Company's system is subject to the terms and conditions set forth in this Rule. None of the provisions in this Rule shall be interpreted to unduly discriminate against or in favor of Biomethane Gas or any other gas supplies coming from any source. Nothing in this Rule shall be interpreted as creating a requirement that the Company purchase any Biomethane Gas.

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BIOMETHANE GAS
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E. OPEN ACCESS TO INTERCONNECTION OF BIOMETHANE GAS SUPPLY (Continued)

1. Interconnection Terms of Access

The Company will perform interconnection-related work under the following conditions:

- a. The interconnection and physical flow of Biomethane Gas supply can be received into the Company's existing system in so far that it does not jeopardize the integrity or normal operation of the Company's system and without adversely affecting service to the Company's end-use customers. The specific interconnection point(s) will be determined by the Company.
- b. The maximum capacity for Biomethane Gas received into the Company's system at the interconnection point(s) will be determined by the size of the facilities and the Company's ability to redeliver the Biomethane Gas supply downstream of the interconnection point(s), including the metering and odorization capacities. The maximum capacity for Biomethane Gas received into the Company's system at any specific interconnection point is not the capacity of the Company's pipeline system to transport gas away from that interconnection point and is not, nor is it intended to be, any commitment by the Company of any takeaway capacity. The Company separately provides takeaway services, including the option to expand system capacity to increase takeaway services, through its otherwise applicable tariffs.
- c. The available capacity for a supplier of Biomethane Gas to deliver gas into the Company's system may, on any particular day, be affected by physical flows from other points of receipt, physical pipeline capacity, storage conditions, daily pipeline operating conditions, and end-use demand on the Company's system.

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E. OPEN ACCESS TO INTERCONNECTION OF BIOMETHANE GAS SUPPLY (Continued)

1. Interconnection Terms of Access (Continued)

- d. The Biomethane Gas supplier shall pay all costs associated with required capacity or engineering studies, engineering, and construction of facilities on the Company's side of the interconnection point(s) necessary to receive the Biomethane Gas. Such costs may include, but are not limited to, taps, valves, piping, measuring equipment, odorizing equipment, land rights, permits, and communication equipment. The Biomethane Gas supplier shall pay for all changes to the Company's technology systems, if any, required to modify those systems to receive and account for a supplier's Biomethane Gas. The Company shall own and operate all facilities on the Company's side of the interconnection point(s). All contributions provided by the Biomethane Gas supplier are subject to ITCCA as set forth in Preliminary Statement 13 of this California Gas Tariff.
- e. The Biomethane Gas supplier shall execute a standard agreement, which shall contain a description of all work to be performed by the Company, as well as the costs and payment terms to be made by the Biomethane Gas supplier to the Company.
- f. The Biomethane Gas supplier, at its expense, shall obtain all land rights, easements, permits and/or other authorizations, and shall design and construct the piping, valves, filter separators, and other equipment that is required at the interconnection point(s) to effectuate deliveries of the Biomethane Gas to the Company, in accordance with sound and prudent industry practices and complies with all applicable laws, rules, and regulations of any authority having jurisdiction.
- g. The Biomethane Gas supplier shall install and maintain in good working condition the necessary pressure regulation or compression and flow equipment to effectuate delivery of Biomethane Gas to the interconnection point(s) at or above the prevailing pressure in the Company's pipeline. The Biomethane Gas supplier's equipment shall be designed and installed to protect the Company's pipeline from exposure to pressures in excess of the Company's then current maximum operating pressure at the interconnection point(s).

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E. OPEN ACCESS TO INTERCONNECTION OF BIOMETHANE GAS SUPPLY (Continued)

1. Interconnection Terms of Access (Continued)
 - h. The Biomethane Gas supplier shall comply with the Company's Tariff, including but not limited to nominations procedures, unless otherwise identified and written in an agreement between the supplier and the Company.
 - i. The Biomethane Gas supplier and the Company shall execute an operating and/or other necessary agreement(s) prior to the final interconnection and the commencement of Biomethane Gas flowing into the Company's system.
2. Interconnection Capacity Studies
 - a. Any Biomethane Gas supplier may request an Interconnection Capacity Study to determine the Company's downstream capability to take Biomethane Gas away from an interconnection point, or proposed interconnection point, and the associated Company facility enhancement costs, if any. Upon the request of an entity to establish or increase takeaway capacity from a receipt point, the Company will make a timely determination of the facilities, any required modifications and associated costs that are required to add the requested takeaway capacity. The Company shall make this determination on a nondiscriminatory and transparent basis, without favoring any region or entity within its territory.
 - b. All analyses shall take into consideration new supplies and facilities that have been or may be installed pursuant to previously executed agreements. Priority for purposes of determining facility costs will be established on the basis of the date a Biomethane Gas supplier executes a formal request. The request shall include the activities from initial study through construction under terms that are mutually agreeable to the Company and the Biomethane Gas supplier.

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E. OPEN ACCESS TO INTERCONNECTION OF BIOMETHANE GAS SUPPLY
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3. Interconnection Engineering Studies

- a. The Company will prepare a Detailed Engineering Study upon formal written request and receipt of payment for estimated charges from any Biomethane Gas supplier. A Detailed Engineering Study includes a description of all costs of construction, complete engineering construction drawings, and all construction, environmental permit applications, and right-of-way acquisition requirements.
- b. The Biomethane Gas supplier and the Company will execute an agreement prior to any work being completed on the Detailed Engineering Study and the Biomethane Gas supplier will provide payment equal to the estimated cost prior to the Company proceeding with the study. The Biomethane Gas supplier will be responsible for all actual costs of the analysis; an invoice or refund will be issued by the Company to the supplier at the completion of the analysis for any difference between the actual costs and the estimate.

F. BIOMETHANE INJECTION MONETARY INCENTIVE PROGRAM

The Biomethane Injection Monetary Incentive Program (Incentive Program) is an approximately six-year program adopted by the Commission in D.15-06-029, as modified by D.16-12-043, to encourage the production and distribution of Biomethane Gas in California. The Incentive Program entitles a Biomethane Gas supplier to receive a payment of up to 50% of the Biomethane Gas supplier's eligible project interconnection costs, not to exceed \$3 million for a non-dairy cluster Biomethane Gas project or \$5 million for a dairy cluster biomethane project. For a dairy cluster Biomethane Gas project, as defined in Public Utilities Code § 399.19, eligible costs include project interconnection costs as defined in Section F.1 of this Rule and costs incurred for Biogas gathering lines, including multiple pipelines installed to transport Biogas from three or more dairies in close proximity to one another to a centralized processing facility where the Biogas is processed to meet the Biomethane Gas standards set forth in this Rule and injected into a single interconnection point on the Company's pipeline system. For either a non-dairy cluster or dairy cluster Biomethane Gas project, the Biomethane Gas supplier must successfully interconnect with the Company's pipeline system and remain

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F. BIOMETHANE INJECTION MONETARY INCENTIVE PROGRAM (Continued)

operational for a minimum 30 out of 40-day operational period in accordance with the requirements set forth in Section F.2 of this Rule to be eligible for a payment through the Incentive Program. The total Incentive Program funding amount authorized by the Commission is \$40 million, which includes the California Council on Science and Technology study costs, and is applicable to all California natural gas utilities. The Incentive Program sunsets on December 31, 2021, or when the Incentive Program funding is exhausted.

1. Qualifying Interconnection Costs

Costs eligible to be credited under this Incentive Program include Engineering Study and Design costs, total installed costs of point of receipt facilities (e.g., meters, regulators, appurtenant facilities, quality measurement, odorization facilities and auxiliary facilities), Company facility enhancement costs (e.g., Company-owned gas pipelines, and other related system upgrades and enhancements required to enable continued safe and reliable operation of the Company system due to the addition of each Biomethane Gas interconnection), and facility costs necessary to interconnect downstream of the Biomethane Gas supplier's processing plants for the purpose of delivering Biomethane Gas onto the Company's system. Other upstream costs, such as the costs for processing or blending, (including pipelines used for blending), do not qualify as interconnection costs under the Incentive Program. The Biomethane Gas supplier shall provide cost information to the Company for review as eligible costs under the Program, in a timely manner, as specified by the Company.

2. Operational Requirement

The operational requirement shall be met only if the Biomethane Gas supplier successfully interconnects with the Company's pipeline system, and remains in operation for a minimum of 30 out of 40 days, with a flow each of those 30 days within the measurement range of the meter, as specified by Company measurement standards and based on the meter type as specified by the Company and site conditions and shall exclude any interruption of delivery as specified by the Company in Rule No. 14, Continuity of Service, of this California Gas Tariff. At least two business days in advance of the 40-day operational period, the Biomethane Gas supplier shall provide to the Company a written

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F. BIOMETHANE INJECTION MONETARY INCENTIVE PROGRAM (Continued)

2. Operational Requirement (Continued)

declaration notice that specifies when the 40-day operational period is to begin and end. The Biomethane Gas supplier may restart the 40-day operational period at any time by providing a new written declaration notice specifying the new start and end dates at least two business days before the new 40-day operational period is to begin.

3. Distribution of Incentive Program Payment

Within 60 days following the successful operational period set forth in Section F.2 of this Rule, the Company will pay the Biomethane Gas supplier in the amount of up to 50% of the eligible reconciled and undisputed portions of the interconnection costs, not to exceed \$3 million for non-dairy cluster Biomethane Gas project or \$5 million for a dairy cluster Biomethane Gas project. A payment will be provided to the Biomethane Gas supplier for all costs included in the reconciliation that have been paid in full.

In the event that all interconnection costs have not been reconciled by the Company and the Biomethane Gas supplier within 60 days following the successful operational period, the Company shall pay the Biomethane Gas supplier upon cost reconciliation. If additional eligible cost information becomes available within 12 months following the initial payment, the Company shall pay the Biomethane Gas supplier 50% of the remaining eligible interconnection costs, not to exceed \$3 million for a non-dairy cluster Biomethane Gas project or \$5 million for a dairy cluster Biomethane Gas project, including all previous payments. The Company will provide notification to the Commission Energy Division Director and the Biomethane Gas supplier of the initial payment, as well as any other potentially eligible future payments.

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