

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



November 12, 2015

**Advice Letter 986**

Justin Lee Brown  
Vice President/Regulatory Affairs  
Southwest Gas Corporation  
P O Box 98510  
Las Vegas, NV 89193-8510

**Subject: To Revise Rule No. 22 – Biomethane Gas in Accordance with  
D.15-06-029**

Dear Mr. Brown:

Advice Letter 986 is effective November 8, 2015.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph  
Director, Energy Division



## **SOUTHWEST GAS CORPORATION**

Justin Lee Brown, Vice President/Regulation and Public Affairs

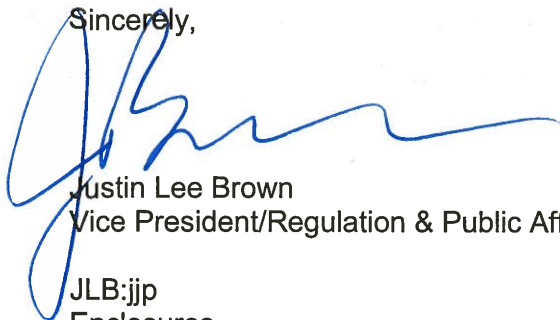
October 9, 2015

**ATTN:** Tariff Unit, Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, Room 4005  
San Francisco, CA 94102

**Subject:** Southwest Gas Corporation (U 905 G)  
Advice Letter No. 986

Enclosed herewith is one (1) copy of Southwest Gas Corporation's Advice Letter No. 986, together with California Gas Tariff Sheet Nos. 4, 279.13, 279.14 and 279.14.1.

Sincerely,



Justin Lee Brown  
Vice President/Regulation & Public Affairs

JLB:jjp  
Enclosures



# SOUTHWEST GAS CORPORATION

Advice Letter No. 986

October 9, 2015

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Southwest Gas Corporation (Southwest Gas) (U 905 G) tenders herewith for filing the following tariff sheets:

Cal. P.U.C. Sheet No.	California Gas Tariff Title of Sheet	Canceling Cal. P.U.C. Sheet No.
3rd Revised Sheet No. 4	Table of Contents	2nd Revised Sheet No. 4
2nd Revised Sheet No. 279.13	Rule No. 22 ( <i>Continued</i> )	1st Revised Sheet No. 279.13
2nd Revised Sheet No. 279.14	Rule No. 22 ( <i>Continued</i> )	1st Revised Sheet No. 279.14
Original Sheet No. 279.14.1	Rule No. 22 ( <i>Continued</i> )	

### **Purpose**

The purpose of this filing is to revise Southwest Gas Rule No. 22, Biomethane Gas, in compliance with the California Public Utilities Commission (Commission) Ordering Paragraph (“OP”) 3 in Decision (D.) 15-06-029 in Rulemaking (R.) 13-02-008, regarding the costs of compliance with D.14-01-034 and adoption of biomethane gas promotion policies and program. OP 3 states:

*In order to specify which costs incurred by the developer of the biomethane project are eligible for the monetary incentive program, and to describe the program mechanics related to the distribution of funds to the developer, the utilities shall jointly fil[e] a Tier 2 Advice Letter to modify each of their existing interconnection tariffs. This Advice Letter shall set forth a description of the types of costs that qualify as interconnection costs under the monetary incentive program. In addition, the Advice Letter shall specify the process for determining if a facility has met the 30-day operational requirement, and the process for the distribution of the incentive payment. The Energy Division has discretion over the content and disposition of the Advice Letter and may elect to hold an informal workshop on the utilities’ proposal in this Advice Letter before approving or rejecting this Advice Letter filing.*



Advice Letter No. 986  
Page 2  
October 9, 2015

Southwest Gas, Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E), collectively referred to as “Joint Utilities,” are concurrently making similar filings for changes to their respective tariffs associated with the implementation of D.15-06-029. Attachment A (proposed tariff revisions) and Attachment B (program mechanics) were developed in collaboration and consultation with the Joint Utilities.

### **Background**

Assembly Bill (AB) 1900 required the Commission to approve standards and requirements for health, safety, and pipeline integrity for biomethane gas injected into utility pipelines, and access rules ensuring nondiscriminatory open access. D.14-01-034, issued on January 22, 2014 in R.13-02-008, identified 17 constituents of concern related to biomethane gas and adopted monitoring, testing, reporting, and record keeping protocols.<sup>1</sup>

On June 11, 2015, the Commission issued D.15-06-029, in R.13-02-008, to address who should bear the costs of complying with D.14-01-034 and, among other things, adopted a five-year monetary incentive program to encourage biomethane gas suppliers to design, construct, and safely interconnect with the natural gas utilities’ pipeline systems. The monetary incentive program is a statewide program, capped at \$40 million, in which a biomethane supplier may receive 50% of their eligible interconnection costs, up to \$1.5 million, upon the successful interconnection with a natural gas utility’s pipeline system.

Pursuant to OP 3 in D.15-06-029, the Joint Utilities developed the program mechanics described in Attachment B. These mechanics: (1) set forth a description of the types of costs that qualify as interconnection costs under the monetary incentive program; (2) specify the process for determining if a biomethane gas supplier has met the 30-day operational requirement; and (3) specify the process for the distribution of the incentive payment to the biomethane gas supplier.

### **Effective Date**

Southwest Gas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after Energy Division approval) pursuant to General Order 96-B. Southwest Gas respectfully requests that the tariff sheets filed herein be made effective as soon as possible and no later than November 8, 2015.

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<sup>1</sup> The monitoring, testing, reporting and record keeping protocols adopted by the Commission are those recommended in the May 15, 2013, *Recommendations to the California Public Utilities Commission Regarding Health Protective Standards for the Injection of Biomethane into the Common Carrier Pipeline*.



Advice Letter No. 986  
Page 3  
October 9, 2015

### **Protest**

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based with specificity, and should be submitted expeditiously. The protest must be sent no later than 20-days after the date of this Advice Letter filing and shall be sent by letter via U.S. Mail, facsimile, or electronically mailed. The address for mailing or delivering a protest to the Commission is:

Energy Division  
California Public Utilities Commission  
Attention: Investigation, Monitoring & Compliance Program Manager  
505 Van Ness Avenue, Room 4002  
San Francisco, CA 94102  
E-mail: [edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)  
Facsimile: 415-703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004, at the same address as above and mailed or faxed to:

Mr. Justin Lee Brown  
Vice President/Regulation & Public Affairs  
Southwest Gas Corporation  
P.O. Box 98510  
Las Vegas, Nevada 89193-8510  
Facsimile: 702-364-3452

### **Notice**

Pursuant to Energy Industry Rule 3.1(1), the notice requirements set forth in General Rule 4.2 in G.O. 96-B are not applicable since the tariff revisions proposed herein are being filed in compliance with D.15-06-029.

### **Service**

In accordance with G.O. 96-B, General Rule 4.3, Southwest Gas is mailing copies of this advice letter and related tariff sheets to the utilities and interested parties shown on the attached list.



Advice Letter No. 986  
Page 4  
October 9, 2015

Communications regarding this filing should be directed to:

Valerie J. Ontiveroz  
Regulatory Manager/California  
Southwest Gas Corporation  
P.O. Box 98510  
Las Vegas, NV 89193-8510  
Telephone: 702-876-7323  
E-mail: [valerie.ontiveroz@swgas.com](mailto:valerie.ontiveroz@swgas.com)

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By: 

Justin Lee Brown

Attachments

**Distribution List**

Advice Letter No. 986

In conformance with General Order 96-B, General Rule 4.3

The following individual has been served by regular, first-class mail:

Joe Como, Acting Director  
Office of Ratepayer Advocates  
California Public Utilities Commission  
505 Van Ness Avenue, 4th Floor  
San Francisco, CA 94105

The following individuals or entities have been served by electronic mail:

Pacific Gas & Electric Company  
[PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Southern California Gas Company  
[SNewsom@semprautilities.com](mailto:SNewsom@semprautilities.com)

San Diego Gas & Electric Company  
[SDG&ETariffs@SempraUtilities.com](mailto:SDG&ETariffs@SempraUtilities.com)

Robert M. Pocta  
Office of Ratepayer Advocates  
California Public Utilities Commission  
[rmp@cpuc.ca.gov](mailto:rmp@cpuc.ca.gov)

Nathaniel Skinner  
Office of Ratepayer Advocates  
California Public Utilities Commission  
[nws@cpuc.ca.gov](mailto:nws@cpuc.ca.gov)

Pearlie Sabino  
Office of Ratepayer Advocates  
California Public Utilities Commission  
[pzs@cpuc.ca.gov](mailto:pzs@cpuc.ca.gov)

**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**ADVICE LETTER FILING SUMMARY  
ENERGY UTILITY**

**MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)**

Company name/CPUC Utility No. **Southwest Gas Corporation (U 905G)**

Utility type:

- ELC       **GAS**  
 PLC       HEAT     WATER

Contact Person: **Valerie Ontiveroz**

Phone #: **(702) 876-7323**

E-mail: **valerie.ontiveroz@swgas.com**

**EXPLANATION OF UTILITY TYPE**

ELC = Electric      GAS = Gas  
 PLC = Pipeline    HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **986**

Subject of AL: **To revise Rule No. 22 – Biomethane Gas in accordance with Decision (D.) 15-06-029**

Keywords (choose from CPUC listing): **Rule**

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL **Not applicable**

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: **Not applicable**

Resolution Required?  Yes  No

Requested effective date: **November 8, 2015**

No. of tariff sheets: 4

Estimated system annual revenue effect (%): **Not applicable**

Estimated system average rate effect (%): **Not applicable**

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: **Not applicable**

Service affected and changes proposed<sup>1</sup>: **See 'Subject of AL' above**

Pending advice letters that revise the same tariff sheets: **Not applicable**

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division**  
**Attention: Tariff Unit**  
**505 Van Ness Ave.,**  
**San Francisco, CA 94102**  
**E-mail: edtariffunit@cpuc.ca.gov**

**Utility Info (including e-mail)**  
**Mr. Justin Lee Brown,**  
**Vice-President/Regulation & Public Affairs**  
**Southwest Gas Corporation**  
**P. O. Box 98510**  
**Las Vegas, NV 89193-8510**  
**E-mail: justin.brown@swgas.com**  
**Facsimile: 702-364-3452**

<sup>1</sup> Discuss in AL if more space is needed.



**Attachment A – Proposed Tariff Sheets**

TABLE OF CONTENTS  
(Continued)

<u>RULE NO.</u>	<u>DESCRIPTION</u>	<u>CAL. P.U.C. SHEET NOS.</u>
1	Definitions	151 – 162
2	Description of Service	163 – 166
3	Application for Service	167 – 169
4	Written Contracts	170 – 171
5	Special Information Required on Forms	172 – 173
6	Establishment and Reestablishment of Credit	174 – 175
7	Deposits	176 – 177
8	Notices	178
9	Rendering and Payment of Bills	179 – 184
10	Disputed Bills	185
11	Discontinuance of Service	186 – 191
12	Optional Rates and Information to be Provided to the Public	192
13	Temporary Service	193 – 194
14	Continuity of Service	195
15	Gas Main Extensions	196 – 213
16	Gas Service Extensions	214 – 235
17	Meter Tests and Adjustment of Bills	236 – 240
18	Supply to Separate Premises and Resale	241
19	Services and Facilities on Customer's Premises	242 – 243
20	Curtailment of Natural Gas Service	244 – 248
21	Transportation of Customer-Secured Natural Gas	249 – 275
22	Biomethane Gas	276 – 279.14.1 T
23	Mobilehome Park Utility Upgrade Program	279.15 – 279.24

RULE NO. 22

BIOMETHANE GAS  
(Continued)

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

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 a five-year program adopted by the Commission in D.15-06-029, to encourage the production and distribution of Biomethane Gas in California. The Incentive Program entitles a Biomethane Gas supplier to receive a payment of 50% of the Biomethane Gas supplier's project interconnection costs, up to \$1.5 million, if the Biomethane Gas supplier successfully interconnects with the Company's pipeline system and remains operational for a minimum 30-day operational period in accordance with the requirements set forth in this Rule. The total Incentive Program funding amount authorized by the Commission is \$40 million, applicable to all natural gas utilities. The Incentive Program sunsets on June 11, 2020, 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

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RULE NO. 22

BIOMETHANE GAS  
(Continued)

F. BIOMETHANE INJECTION MONETARY INCENTIVE PROGRAM (Continued)

1. Qualifying Interconnection Costs (Continued)

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. 30-day 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 consecutive days with a flow each of those 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.

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 50% of the eligible reconciled and undisputed portions of the interconnection costs, not to exceed \$1.5 million. A payment will be provided to the Biomethane Gas supplier for all costs included in the reconciliation that have been paid in full.

RULE NO. 22

BIOMETHANE GAS  
(Continued)

F. BIOMETHANE INJECTION MONETARY INCENTIVE PROGRAM (Continued)

3. Distribution of Incentive Program Payment (continued)

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 \$1.5 million, 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.

## **Attachment B- Biomethane Program Mechanics Description**

### **Item 1: Set forth a description of the types of costs that qualify as interconnection costs under the monetary incentive program**

Costs eligible to be credited under this incentive program include study and design costs, total installed costs of receipt point facilities (e.g., meters, regulators, appurtenant facilities, quality measurement, odorization facilities and auxiliary facilities), utility facility enhancement costs (e.g., utility-owned gas pipelines, and other related system upgrades and enhancements required to enable continued safe and reliable operation of the utility system due to the addition of each biomethane interconnection),<sup>1</sup> and facility costs necessary to interconnect downstream of interconnectors' processing plants for the purpose of delivering biomethane onto the utility's system. Other upstream costs, such as the costs for processing or blending, (including the pipelines used for blending), do not qualify as interconnection costs under the monetary incentive program. The biomethane project developer shall provide cost information to the utility for eligible costs in a timely manner, as specified by the utility.

### **Item 2: Specify the process for determining if a facility has met the 30-day operational requirement**

The operational requirement shall be met only if the biomethane project developer successfully interconnects with the utility's pipeline system, and remains in operation for a minimum of 30 consecutive days with a flow each of those days within the measurement range of the meter, as specified by utility measurement standards and based on the meter type as specified by the utility and site conditions and shall exclude any interruption of delivery as specified by utility gas rules.<sup>2</sup>

### **Item 3: Specify the process for the distribution of the incentive payment**

Within 60 days following the successful operational period (as defined in Item 2), the utility will pay or credit<sup>3</sup> the biomethane project developer in the amount of 50% of the eligible reconciled and undisputed portions of the interconnection costs (as defined in Item 1), not to exceed \$1.5 million.

In the event that all interconnection costs have not been reconciled by the utility and the developer within 60 days following the successful operational period, the

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<sup>1</sup> Engineering and capacity studies, agreement terms and processes are specific to each utility as specified in their rules and tariffs; see SDG&E Rule 39, SoCalGas Rule 39, PG&E Rule 21, and Southwest Gas Rule 22.

<sup>2</sup> See SDG&E Rule 14, SoCalGas Rule 23, PG&E Rule 14, and Southwest Gas Rule 14.

<sup>3</sup> A payment will be provided to the biomethane project developer if all costs have been paid in full; if there are remaining costs it shall be treated as a credit.

utility shall resume paying the biomethane project developer upon cost reconciliation. If additional eligible cost information becomes available within 12 months following the initial payment, the utility shall pay to the biomethane project developer for 50% of the remaining eligible interconnection costs, not to exceed \$1.5 million including all previous payments.

The utility will provide notification to the CPUC Director of the Energy Division and the biomethane project developer of the initial payment as well as any other potentially eligible future payments.