Confidential

R.13-02-008

Renewable Gas Standard (RGS) Program D.26-04-044 Update

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California Public Utilities Commission

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The Renewable Gas Standard (RGS) Program Overview

- The IOU biomethane procurement program in California
- CPUC established the RGS via D.22-02-025 in response to SB 1440 (Hueso, 2018)
- The program was modified in D.26-04-044 to control costs, increase competition, and streamline processes
  1. Established cost caps
  2. Modifying procurement targets
  3. Allowed all feedstocks immediately (landfill eligibility still in process)
  4. Allow specific combustion in wastewater co-digestion
  5. Reducing interconnection costs (follow up in process)
  6. Simplifying Advice Letter process

#1: Cost Caps

- Maximum increases in non-transportation core bundled customer (NBCC) revenue requirement
- Annual Cost Cap: 3% increase (in any given year)
- Program Cost Cap: 1% average (across all program years)

#2: Modifying procurement targets

- Medium-term Target:
  - Reduced by half from 72.8 Bcf to 36.4 Bcf.
  - Renamed the "Overall" target.
  - Pushed back from 2030 to 2035.
- Short-term Target:
  - Maintained to ensure gradual support for SB 1383.
  - Renamed the "Diverted Organic Waste" (DOW) Target.
  - Pushed back from 2025 to 2035.
- Goals:
  - Reducing the overall potential cost to ratepayers in a nascent market.
  - Allowing more time to meet targets to encourage gradual procurement
    - For lower-impact, long-term market support.
  - Maintaining market pull to create SB 1383 feedstock offtake as feedstocks become more available over time.
- Co-digestion quantification:
  - DOW-derived biomethane counts towards DOW target.
  - Wastewater-derived biomethane counts ONLY towards Overall target.

#3: Allowing all feedstocks immediately

- D.22-02-025 required the program to meet the 8M ton organic waste diversion target before allowing other feedstocks
  - Only dairy could be procured immediately. 4% of target limit.
- Delays in SB 1383 implementation led to difficulty for developers to procure needed feedstocks
  - Limited our ability to meet the DOW target by the 2025 deadline.
- D.26-04-044 allowed all feedstocks to be procured alongside DOW procurement to increase competition and reduce delays in procurement
  - Landfill eligibility needs to ensure avoiding perverse incentives:
    - Landfills are incentivized to take in more organics, contrary to the goals of SB 1383

#4: Allowing specific combustion in WWTPs

- Wastewater treatment plants that have existing unused combustion generation capacity can utilize that capacity to provide power for biomethane production activities
- Wastewater is the only exception.
- Any additional capacity to be installed still must be non-combustion, such as:
  - Linear generators
  - Fuel cells

#5: Decision Interconnection Follow-up Requirements

- IOUs will host a workshop to lower interconnection costs (Aug 4).
  - There are ongoing conversations with the IOUs and biomethane developers in preparation of the workshops
- IOUs will submit a Tier 3 AL based on the workshop with their proposal for lowering costs, including:
  - Lower supervisory costs to allow competition.
  - More accessible certification process for 3rd party installers.
  - Clearer and shorter delivery timelines.
  - Itemized cost transparency.
  - More thorough and timely Screening and Engineering Studies.
  - Plans for reducing IOU interconnection costs.
  - Resulting in interconnection costs on par with other states.

#6: Simplifying the Advice Letter (AL) Process

- D.22.02-025 established a tiered AL system:
  - Tier 1: less than $17.70/MMBtu
  - Tier 2: $17.70 - $26/MMBtu
  - Tier 3: Above $26/MMBtu
- D.26-04-044 allowed all projects to be submitted as Tier 2 ALs

Thank you!