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# SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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## SB 919 (Grayson) - Biomethane monetary incentive program

**Version:** April 28, 2026

**Urgency:** No

**Hearing Date:** May 11, 2026

**Policy Vote:** E., U. & C. 13 - 2

**Mandate:** Yes

**Consultant:** Ashley Ames

**Bill Summary:** This bill would require the California Public Utilities Commission (CPUC) to extend the biomethane monetary incentive program and allow the CPUC to authorize additional funding of \$50 million from greenhouse gas allowance revenues for the program, but would limit funding for dairy biomethane projects to no more than \$10 million.

### Fiscal Impact:

- Unknown, potentially significant costs, possibly in the hundreds of thousands of dollars annually, until December 31, 2030 (ratepayer funds) for the CPUC to extend the program and continue program oversight.

**Background:** The Biomethane Monetary Incentive Program was established pursuant to CPUC decisions, D.19-12-009 which implemented an Incentive Reservation System for the Biomethane Monetary Incentive Program established as part of D.15-06-029. The program was modified by AB 2313 (Williams, Chapter 571, Statutes of 2016) which increased the amount of funding for interconnection costs for biomethane projects. The incentive program provides up to \$3 million for non-dairy clusters and \$5 million for dairy clusters that interconnect successfully with the natural gas utility pipeline system and operate by December 31, 2026. The Incentive Reservation System allows project developers to reserve incentive funds during the development phase of a project and receive the funds once the project is interconnected and operating. D.15-06-029 originally provided \$40 million for incentives. The CPUC subsequently authorized an additional \$40 million in funding from natural gas utility Cap-and-Trade allowance auction proceeds, bringing total funding to \$80 million. The collective allocation of the additional \$40 million in additional incentive spending is distributed across each of California four large gas utilities' service territories consistent with each gas utility's respective percentage of their combined CARB allocation of Cap-and-Trade allowances:

- SoCalGas: \$19,704,000 (49.26% of \$40 million)
- PG&E: \$16,936,000 (42.34% of \$40 million)
- SDG&E: \$2,708,000 (6.77% of \$40 million)
- Southwest Gas: \$652,000 (1.63% of \$40 million)

The interconnection incentive program is currently fully subscribed, but still accepting reservations from interested developers. The current wait list includes roughly \$38 million in funding requested by project developers, mostly within PG&E and SoCalGas service territories.

**Proposed Law:** This bill would require the CPUC to extend the biomethane monetary incentive program. It would also allow the CPUC to authorize additional funding of \$50 million from greenhouse gas allowance revenues for the program, but would limit funding for dairy biomethane projects to no more than \$10 million.

**Related Legislation:**

AB 1207 (Irwin, Chapter 117, Statutes of 2025), among its provisions, extended the authorization for the GHG emissions reduction market-based compliance program (now coined as the Cap-and-Invest Program) and design regulations, including distribution of emissions allowances in a manner that transitions support from gas corporations to electrical distribution utilities on or before January 1, 2031.

SB 377 (Grayson) of 2025, would have required policies to support deployment of biomethane production, including expanding eligibility to out-of-state projects for existing biomethane projects and required the CPUC to authorize natural gas corporations to recover the costs of biomethane projects from their customers. The bill died in the Senate.

AB 678 (Alvarez, Chapter 339, Statutes of 2023) extended the authority of the CPUC to establish biomethane procurement targets on gas corporations to also include core transport agents – third-party natural gas providers.

AB 3187 (Grayson, Chapter 598, Statutes of 2018) directed the CPUC to open a proceeding, by no later than July 1, 2019, to consider options to promote the in-state production and distribution of biomethane, including whether to allow recovery in rates of interconnection costs for biomethane projects.

SB 1440 (Hueso, Chapter 739, Statutes of 2018) required the CPUC, in consultation with the CARB, to consider adopting specific biomethane procurement targets or goals for each natural gas corporation. The bill required the CPUC, if the CPUC adopts those targets or goals, to take certain actions regarding the development of the targets or goals and the procurement of the biomethane to meet those targets or goals.

AB 2313 (Williams, Chapter 571, Statutes of 2016), codified, modified and extended the biomethane monetary incentive program without specifying a funding cap or a particular funding source. The bill also required consideration by the CPUC of whether to allow recovery in rates of interconnection costs for biomethane projects.

SB 1383 (Lara, Chapter 395, Statutes of 2016) required state agencies to consider and, as appropriate, adopt policies and incentives to significantly increase the sustainable production and use of renewable natural gas, including biomethane to meet the state's climate change, renewable energy, low-carbon fuel, and short-lived climate pollutants goals, including black carbon, landfill diversion, and dairy methane targets.

SB 840 (Committee on Budget and Fiscal Review, Chapter 341, Statutes of 2016) required the CPUC to reevaluate its requirements and standards for biomethane to be injected into common carrier pipelines.

AB 1900 (Gatto, Chapter 602, Statutes of 2012) directed the CPUC to identify landfill gas constituents, develop testing protocols for landfill gas injected into common carrier pipelines, adopt standards for biomethane to ensure pipeline safety and integrity, and adopt rules to ensure open access to the gas pipeline system.

AB 2196 (Chesbro, Chapter 605, Statutes of 2012) ensured that biogas qualifies for RPS credit, provided its production, delivery and use meet certain conditions.

SB 1122 (Rubio, Chapter 612, Statutes of 2012) required IOUs to collectively procure at least 250 MW of generation eligible for the RPS from bioenergy generation project, including biogas projects.

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