

DRAFT

SUMMARY

Requires Public Utility Commission to adopt by rule renewable natural gas program for natural gas utilities to recover prudently incurred qualified investments in meeting certain targets for including renewable natural gas in gas purchases for distribution to retail natural gas customers.

Requires commission to adopt rules no later than December 31, 2019.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to renewable natural gas; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Sections 2, 3 and 4 of this 2019 Act are added to and**
5 **made a part of ORS chapter 757.**

6 **SECTION 2. (1) The Legislative Assembly finds and declares that:**

7 **(a) Renewable natural gas provides benefits to natural gas utility**
8 **customers and to the public; and**

9 **(b) The development of renewable natural gas resources should be**
10 **encouraged to support a smooth transition to a low carbon energy**
11 **economy in Oregon.**

12 **(2) The Legislative Assembly therefore declares it to be the policy**
13 **of the state to provide clear and reliable guidelines, that ensure robust**
14 **ratepayer protections, for natural gas utilities that opt to procure or**
15 **produce renewable natural gas resources to serve natural gas utility**
16 **customers in Oregon.**

17 **SECTION 3. As used in this section and section 4 of this 2019 Act:**

18 **(1) “Biogas” means gas that is produced from organic waste or**

1 other organic materials through anaerobic digestion, gasification,
2 pyrolysis or other technology that converts organic waste to gas.

3 (2) “Natural gas utility” means a public utility providing natural
4 gas service to customers.

5 (3) “Qualified investment” means any expense or capital investment
6 incurred by a natural gas utility, for the purpose of providing gas
7 utility service to customers in Oregon, in producing renewable natural
8 gas or procuring renewable natural gas from third parties.

9 (4) “Renewable energy sources” means hydroelectric, geothermal,
10 solar photovoltaic, wind, tidal, wave or biogas energy sources.

11 (5) “Renewable natural gas” means:

12 (a) Any of the following products processed to meet pipeline quality
13 standards or transportation fuel grade requirements:

14 (A) Biogas;

15 (B) Hydrogen gas derived from renewable energy sources; or

16 (C) Methane gas derived from a combination of biogas and hydrogen
17 gas derived from renewable energy sources; or

18 (b) Natural gas that has been bundled with the necessary environ-
19 mental attributes so as to represent the full environmental benefits
20 of renewable natural gas.

21 SECTION 4. (1) The Public Utility Commission shall adopt by rule
22 a renewable natural gas program pursuant to the provisions of this
23 section.

24 (2) A natural gas utility that participates in the renewable natural
25 gas program may make qualified investments to meet the following
26 portfolio targets for the percentage of gas purchased by the natural
27 gas utility for distribution to retail natural gas customers in Oregon
28 that is renewable natural gas:

29 (a) In each of the calendar years 2020 through 2024, five percent
30 may be renewable natural gas;

31 (b) In each of the calendar years 2025 through 2029, 10 percent may

1 be renewable natural gas;

2 (c) In each of the calendar years 2030 through 2034, 15 percent may
3 be renewable natural gas;

4 (d) In each of the calendar years 2035 through 2039, 20 percent may
5 be renewable natural gas;

6 (e) In each of the calendar years 2040 through 2044, 25 percent may
7 be renewable natural gas; and

8 (f) In each of the calendar years 2045 through 2050, 30 percent may
9 be renewable natural gas.

10 (3) Any prudently incurred qualified investments made by a natural
11 gas utility that contribute to the natural gas utility meeting the tar-
12 gets set forth in subsection (2) of this section shall be recovered by
13 means of an automatic adjustment clause, as defined in ORS 757.210,
14 in the calendar year following the qualified investment.

15 (4) When a natural gas utility makes a qualified investment in de-
16 veloping a renewable natural gas resource, the costs associated with
17 that qualified investment shall include the cost of capital established
18 by the commission in the natural gas utility's most recent general rate
19 case.

20 (5) If the rate impact of the natural gas utility's total annual cost
21 to meet the targets of the renewable natural gas program exceeds five
22 percent of the natural gas utility's total revenue requirement for an
23 individual year, the natural gas utility may no longer be authorized
24 to make additional qualified investments under the renewable natural
25 gas program for that year.

26 (6) The total cost to meet the targets of the renewable natural gas
27 program must account for:

28 (a) Any value received by a natural gas utility upon any resale of
29 renewable natural gas, including any environmental credits that the
30 renewable natural gas producer chooses to include with the sale of the
31 renewable natural gas; and

1 **(b) Any savings achieved through avoidance of conventional gas**
2 **purchases or development, such as avoided pipeline costs or carbon**
3 **costs.**

4 **(7) Rules adopted by the commission under this section must in-**
5 **clude:**

6 **(a) Rules for reporting requirements under the program; and**

7 **(b) Rules for establishing, consistent with subsection (3) of this**
8 **section, an automatic adjustment clause for the full recovery of**
9 **prudently incurred costs associated with qualified investments.**

10 **SECTION 5.** **The Public Utility Commission shall adopt rules pur-**
11 **suant to section 4 of this 2019 Act not later than December 31, 2019.**

12 **SECTION 6.** **This 2019 Act takes effect on the 91st day after the date**
13 **on which the 2019 regular session of the Eightieth Legislative Assem-**
14 **bly adjourns sine die.**

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