

SB 98 -2, -3, -4, -5 STAFF MEASURE SUMMARY

Senate Committee On Environment and Natural Resources

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Meeting Dates: 2/7, 3/14

WHAT THE MEASURE DOES:

Makes legislative findings. Defines terms. Directs Public Utility Commission (PUC) to adopt by rule a renewable natural gas (RNG) program. Authorizes participating natural gas utility (utility) to make qualified investments to meet specified portfolio targets for calendar years 2020-2050 for the percentage of natural gas purchased for distribution to retail customers that is RNG. Specifies that prudently incurred qualified investments by utility meeting targets be recovered with automatic adjustment clause in following calendar year. Directs that cost associated with qualified investment includes the cost of capital established by PUC in most recent general rate case. Prohibits utility from making additional qualified investments if rate impact of annual costs to meet program targets exceeds five percent of utility's total revenue requirement for an individual year. Requires total cost to meet target to account for specified factors. Requires PUC rules to include reporting requirements and rules for establishing automatic adjustment clause. Requires rule adoption no later than December 31, 2019. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-2 Replaces measure. Makes legislative findings. Defines terms. Directs Public Utility Commission (PUC) to adopt by rule a renewable natural gas (RNG) program for both large natural gas utilities with 200,000 or more customer accounts in Oregon and for small natural gas utilities with fewer than 200,000 customer accounts in Oregon.

Large Natural Gas Utility RNG Program: Authorizes participating large natural gas utility to make qualified investments to meet specified portfolio targets for calendar years 2020-2050 for the percentage of natural gas purchased for distribution to retail customers that is RNG. Directs PUC to adopt ratemaking mechanisms that ensure the recovery of all prudently incurred costs that contribute to utility meeting targets. Requires costs associated with qualified investment includes the cost of capital established by PUC in most recent general rate case. If utility's total incremental annual cost to meet targets exceed five percent of total revenue requirement for a particular year, prohibits additional investments that year without PUC approval. Requires total incremental annual cost to meet target to account for specified factors.

Small Natural Gas Utility RNG Program: Upon filing by a small natural gas utility to participate in the RNG program, directs the PUC to establish a rate cap limiting the utility's costs of procuring RNG from third parties and qualified investments in RNG infrastructure. Requires rate cap to be expressed as a percentage of utility's total revenue requirement approved by PUC in most recent rate case. Requires PUC to account for specified factors when establishing cap. Establishes filing requirements. Allows utility prudently incurred costs to be recovered by automatic adjustment clause. Requires costs associated with qualified investments to include cost of capital established by PUC in most recent general rate case.

Requires PUC rules to include reporting requirements and rules for establishing automatic adjustment clause. Requires PUC rule adoption no later than July 31, 2020. Takes effect on 91st day following adjournment sine die.

-3 Replaces measure. Makes legislative findings. Defines terms. Directs Public Utility Commission (PUC) to adopt by rule a large renewable gas program for large utilities and a small renewable gas program for small utilities.

Large Natural Gas Utility RNG Program: Requires large utility to participate in large utility RNG program and make qualified investments to meet standard that at least ___ percent of gas sold by utility to retail customers in Oregon by 2050 must be RNG. Directs PUC to adopt ratemaking mechanisms that ensure the recovery of all prudently incurred costs that contribute to utility meeting standard. Requires costs associated with qualified investment includes the cost of capital established by PUC in most recent general rate case. If utility's total incremental annual cost to meet targets exceed five percent of total revenue requirement for a particular year, prohibits additional investments that year without PUC approval. Requires total incremental annual cost to meet target to account for specified factors.

Small Natural Gas Utility RNG Program: Upon filing by a small natural gas utility to participate in the small RNG program, directs the PUC to establish a rate cap limiting the utility's costs of procuring RNG from third parties and qualified investments in RNG infrastructure. Requires rate cap to be expressed as a percentage of utility's total revenue requirement approved by PUC in most recent rate case. Requires PUC to account for specified factors when establishing cap. Establishes filing requirements. Allows utility prudently incurred costs to be recovered by automatic adjustment clause. Requires costs associated with qualified investments to include cost of capital established by PUC in most recent general rate case.

Requires that rules include reporting requirements and a process for utilities to fully recover prudently incurred costs. Stipulates that rules may not prohibit an affiliated interest of a utility from making capital investments in a biogas production project if the affiliated interest is not a public utility. Requires PUC rule adoption no later than July 31, 2020. Takes effect on 91st day following adjournment sine die.

-4 Replaces measure. Same language as SB 98-3 amendment except that the -4 amendment defines the terms "qualified investment" and "renewable natural gas" differently.

-5 Replaces measure. Makes legislative findings. Defines terms. Directs Public Utility Commission (PUC) to adopt by rule a large renewable gas program for large utilities and a small renewable gas program for small utilities.

Large Natural Gas Utility RNG Program: Authorizes participating large natural gas utility to make qualified investments and procure RNG from third parties to meet specified portfolio targets for calendar years 2020-2050 for the percentage of natural gas purchased for distribution to retail customers that is RNG. Directs PUC to adopt ratemaking mechanisms that ensure the recovery of all prudently incurred costs that contribute to utility meeting targets. Requires costs associated with qualified investment includes the cost of capital established by PUC in most recent general rate case. Requires utility to engage in competitive bid process before making qualified investment in biogas production that is upstream of conditioning equipment, pipeline interconnection, or gas cleaning. If utility's total incremental annual cost to meet targets exceed five percent of total revenue requirement for a particular year, prohibits additional investments that year without PUC approval. Requires total incremental annual cost to meet target to account for specified factors.

Small Natural Gas Utility RNG Program: Upon filing by a small natural gas utility to participate in the small RNG program, directs the PUC to establish a rate cap limiting the utility's costs of procuring RNG from third parties and qualified investments in RNG infrastructure. Requires rate cap to be expressed as a percentage of utility's total revenue requirement approved by PUC in most recent rate case. Requires PUC to account for specified factors when establishing cap. Establishes filing requirements. Allows utility prudently incurred costs to be recovered by automatic adjustment clause. Requires costs associated with qualified investments to include cost of capital established by PUC in most recent general rate case.

Requires that rules include reporting requirements and a process for utilities to fully recover prudently incurred costs. Stipulates that rules may not prohibit an affiliated interest of a utility from making capital investments in a biogas production project if the affiliated interest is not a public utility. Requires PUC rule adoption no later than

July 31, 2020. Takes effect on 91st day following adjournment sine die.

BACKGROUND:

Senate Bill 334 (2017) directed the Oregon Department of Energy to work with an advisory committee to conduct a detailed inventory of all potential sources of biogas and renewable natural gas (RNG) available in Oregon. The inventory concluded that the gross potential for RNG production when using anaerobic digestion technology is around 10 billion cubic feet of methane per year, which is about 4.6 percent of Oregon's total yearly use of natural gas. The gross potential for RNG production using thermal gasification technology is nearly 40 billion cubic feet of methane per year, which is about 17.5 percent of Oregon's total yearly use of natural gas. (ODOE, *Biogas and Renewable Natural Gas Inventory*, 2018)

Senate Bill 98 would direct the Oregon Public Utility Commission to adopt an RNG program that allows natural gas utilities to recover investment made to meet targets for including RNG in gas purchases for natural gas consumers.