

# Senate Bill 636

Sponsored by Senator BEYER

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

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 made a part of ORS**  
5 **chapter 757.**

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

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

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

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

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

16 **(1) "Biogas" means gas that is produced from organic waste or other organic materials**  
17 **through anaerobic digestion, gasification, pyrolysis or other technology that converts organic**  
18 **waste to gas.**

19 **(2) "Natural gas utility" means a public utility providing natural gas service to custom-**  
20 **ers.**

21 **(3) "Qualified investment" means any expense or capital investment incurred by a na-**  
22 **tural gas utility, for the purpose of providing gas utility service to customers in Oregon, in**  
23 **producing renewable natural gas or procuring renewable natural gas from third parties.**

24 **(4) "Renewable energy sources" means hydroelectric, geothermal, solar photovoltaic,**  
25 **wind, tidal, wave or biogas energy sources.**

26 **(5) "Renewable natural gas" means:**

27 **(a) Any of the following products processed to meet pipeline quality standards or trans-**  
28 **portation fuel grade requirements:**

29 **(A) Biogas;**

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

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

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

3 (b) Natural gas that has been bundled with the necessary environmental attributes so  
4 as to represent the full environmental benefits of renewable natural gas.

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

7 (2) A natural gas utility that participates in the renewable natural gas program may  
8 make qualified investments to meet the following portfolio targets for the percentage of gas  
9 purchased by the natural gas utility for distribution to retail natural gas customers in  
10 Oregon that is renewable natural gas:

11 (a) In each of the calendar years 2020 through 2024, five percent may be renewable na-  
12 tural gas;

13 (b) In each of the calendar years 2025 through 2029, 10 percent may be renewable natural  
14 gas;

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

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

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

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

23 (3) Any prudently incurred qualified investments made by a natural gas utility that con-  
24 tribute to the natural gas utility meeting the targets set forth in subsection (2) of this sec-  
25 tion shall be recovered by means of an automatic adjustment clause, as defined in ORS  
26 757.210, in the calendar year following the qualified investment.

27 (4) When a natural gas utility makes a qualified investment in developing a renewable  
28 natural gas resource, the costs associated with that qualified investment shall include the  
29 cost of capital established by the commission in the natural gas utility's most recent general  
30 rate case.

31 (5) If the rate impact of the natural gas utility's total annual cost to meet the targets  
32 of the renewable natural gas program exceeds five percent of the natural gas utility's total  
33 revenue requirement for an individual year, the natural gas utility may no longer be au-  
34 thorized to make additional qualified investments under the renewable natural gas program  
35 for that year.

36 (6) The total cost to meet the targets of the renewable natural gas program must ac-  
37 count for:

38 (a) Any value received by a natural gas utility upon any resale of renewable natural gas,  
39 including any environmental credits that the renewable natural gas producer chooses to in-  
40 clude with the sale of the renewable natural gas; and

41 (b) Any savings achieved through avoidance of conventional gas purchases or develop-  
42 ment, such as avoided pipeline costs or carbon costs.

43 (7) Rules adopted by the commission under this section must include:

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

45 (b) Rules for establishing, consistent with subsection (3) of this section, an automatic

1 **adjustment clause for the full recovery of prudently incurred costs associated with qualified**  
2 **investments.**

3 **SECTION 5. The Public Utility Commission shall adopt rules pursuant to section 4 of this**  
4 **2019 Act not later than December 31, 2019.**

5 **SECTION 6. This 2019 Act takes effect on the 91st day after the date on which the 2019**  
6 **regular session of the Eightieth Legislative Assembly adjourns sine die.**

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