

Enrolled Senate Bill 98

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CHAPTER

AN ACT

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

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

SECTION 1. Sections 2 to 6 of this 2019 Act are added to and made a part of ORS chapter 757.

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

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

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

(2) The Legislative Assembly therefore declares that:

(a) Natural gas utilities can reduce emissions from the direct use of natural gas by procuring renewable natural gas and investing in renewable natural gas infrastructure;

(b) Regulatory guidelines for the procurement of renewable natural gas and investments in renewable natural gas infrastructure should enable the procurements and investments while also protecting Oregon consumers; and

(c) Renewable natural gas should be included in the broader set of low carbon resources that may leverage the natural gas system to reduce greenhouse gas emissions.

SECTION 3. As used in sections 2 to 6 of this 2019 Act:

(1) "Biogas" means a mixture of carbon dioxide and hydrocarbons, primarily methane gas, released from the biological decomposition of organic materials.

(2) "Biomass" has the meaning given that term in ORS 315.141.

(3) "Large natural gas utility" means a natural gas utility with 200,000 or more customer accounts in Oregon.

(4) "Natural gas utility" means a public utility providing natural gas service to customers.

(5)(a) "Qualified investment" means any capital investment in renewable natural gas infrastructure incurred by a natural gas utility for the purpose of providing natural gas service under a renewable natural gas program described in section 5 or 6 of this 2019 Act.

(b) "Qualified investment" does not mean an investment in a biogas production project by:

(A) A single livestock operation that produces more than 250 standard cubic feet of biogas per minute; or

(B) A single biogas source that produces more than 1,000 standard cubic feet of biogas per minute.

(6) "Renewable energy sources" means hydroelectric, geothermal, solar photovoltaic, wind, tidal, wave, biomass or biogas energy sources.

(7) "Renewable natural gas" means any of the following products processed to meet pipeline quality standards or transportation fuel grade requirements:

(a) Biogas that is upgraded to meet natural gas pipeline quality standards such that it may blend with, or substitute for, geologic natural gas;

(b) Hydrogen gas derived from renewable energy sources; or

(c) Methane gas derived from any combination of:

(A) Biogas;

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

(C) Waste carbon dioxide.

(8) "Renewable natural gas infrastructure" means all equipment and facilities for the production, processing, pipeline interconnection and distribution of renewable natural gas to be furnished to Oregon customers.

(9) "Small natural gas utility" means a natural gas utility with fewer than 200,000 customer accounts in Oregon.

SECTION 4. (1) The Public Utility Commission shall adopt by rule a large renewable natural gas program for large natural gas utilities pursuant to the provisions of section 5 of this 2019 Act.

(2) The commission shall adopt by rule a small renewable natural gas program for small natural gas utilities pursuant to section 6 of this 2019 Act.

(3) Rules adopted by the commission under this section shall include:

(a) Rules for reporting requirements under the large renewable natural gas program and the small renewable natural gas program; and

(b) Rules for establishing a process for natural gas utilities to fully recover prudently incurred costs associated with the large renewable natural gas program and the small renewable natural gas program.

(4) Rules adopted by the commission under this section may not prohibit an affiliated interest of a small natural gas utility or of a large natural gas utility from making a capital investment in a biogas production project if the affiliated interest, as defined in ORS 757.015, is not a public utility.

SECTION 5. (1) A large natural gas utility that participates in the large renewable natural gas program adopted by rule by the Public Utility Commission under section 4 (1) of this 2019 Act may make qualified investments and procure renewable natural gas from third parties to meet the following portfolio targets for the percentage of gas purchased by the large natural gas utility for distribution to retail natural gas customers in Oregon that is renewable natural gas:

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

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

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

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

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

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

(2) The commission shall adopt ratemaking mechanisms that ensure the recovery of all prudently incurred costs that contribute to the large natural gas utility's meeting the targets set forth in subsection (1) of this section. Pursuant to the ratemaking mechanisms adopted under this subsection:

(a) Qualified investments and operating costs associated with qualified investments that contribute to the large natural gas utility meeting the targets set forth in subsection (1) of this section may be recovered by means of an automatic adjustment clause, as defined in ORS 757.210.

(b) Costs of procurement of renewable natural gas from third parties that contribute to the large natural gas utility meeting the targets set forth in subsection (1) of this section may be recovered by means of an automatic adjustment clause, as defined in ORS 757.210, or another recovery mechanism authorized by rule.

(3) When a large natural gas utility makes a qualified investment in the production of renewable natural gas, the costs associated with the qualified investment shall include the cost of capital established by the commission in the large natural gas utility's most recent general rate case.

(4) Before making a qualified investment in biogas production that is upstream of conditioning equipment, pipeline interconnection or gas cleaning, a large natural gas utility shall engage in a competitive bidding process.

(5) If the large natural gas utility's total incremental annual cost to meet the targets of the large renewable natural gas program exceeds five percent of the large natural gas utility's total revenue requirement for an individual year, the large natural gas utility may no longer be authorized to make additional qualified investments under the large renewable natural gas program for that year without approval from the commission.

(6) The total incremental annual cost to meet the targets of the large renewable natural gas program must account for:

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

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

SECTION 6. (1) Upon a filing by a small natural gas utility to participate in the small renewable natural gas program adopted by rule by the Public Utility Commission under section 4 (2) of this 2019 Act, the commission shall establish a rate cap limiting the small natural gas utility's costs of procuring renewable natural gas from third parties and qualified investments in renewable natural gas infrastructure. The rate cap must be expressed as a percentage of the small natural gas utility's total revenue requirement as approved by the commission in the public utility's most recent general rate case. For the purposes of establishing a rate cap under this subsection, the commission shall account for:

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

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

(2)(a) A filing by a small natural gas utility under subsection (1) of this section must include, but need not be limited to:

(A) A proposal to procure a total volume of renewable natural gas over a specific period; and

(B) Identification of the qualified investments that the small natural gas utility may make in renewable natural gas infrastructure.

(b) A small natural gas utility may from time to time revise the filing submitted to the commission under this section.

(3) Any prudently incurred costs incurred by a small natural gas utility pursuant to a filing submitted under this section may be recovered by means of an automatic adjustment clause, as defined in ORS 757.210.

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

SECTION 7. The Public Utility Commission shall adopt rules pursuant to sections 4 to 6 of this 2019 Act no later than July 31, 2020.

SECTION 8. This 2019 Act takes effect on the 91st day after the date on which the 2019 regular session of the Eightieth Legislative Assembly adjourns sine die.

Passed by Senate June 13, 2019

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Lori L. Brocker, Secretary of Senate

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Peter Courtney, President of Senate

Passed by House June 19, 2019

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Tina Kotek, Speaker of House

Received by Governor:

.....M,....., 2019

Approved:

.....M,....., 2019

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Kate Brown, Governor

Filed in Office of Secretary of State:

.....M,....., 2019

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Bev Clarno, Secretary of State