FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 98 - 5**
80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
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.

Government Unit(s) Affected:
Public Utility Commission (PUC)

Summary of Fiscal Impact:
Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

Other Funds	2019-21 Biennium	2021-23 Biennium
Personal Services	$179,384	$215,259
Services and Supplies	45,793	42,343
Capital Outlay	5,500	
Total Funds	**$230,677**	**$257,602**
Positions	1	1
FTE	0.83	1.00

Analysis:
SB 95 with the -5 amendment would require the Public Utility Commission (PUC) to adopt administrative rules to encourage natural gas utilities to invest in renewable natural gas infrastructure. The PUC would need to adopt rules establishing renewable natural gas reporting requirements and processes for recovery of prudently incurred investments.

The measure would allow natural gas utilities to opt-in to a renewable natural gas program. Natural gas utilities would be able to procure renewable natural gas and make capital investments in producing renewable natural gas, including biogas, hydrogen gas derived from renewable sources, or methane gas derived from biogas, waste hydrogen gas or carbon oxides, and/or waste carbon dioxide. The PUC would need to create two sets of rules: one for large natural gas utilities (those with at least 200,000 customers) and one for small natural gas utilities (those with less than 200,000 customers).

A large utility would be able to make qualified investments and procure renewable natural gas to meet increasing portfolio targets of renewable natural gas distributed to residential customers, increasing from 5 percent (5%) in 2020 to thirty percent (30%) in 2050. The PUC would need to adopt ratemaking mechanisms to ensure the recovery of all prudently incurred costs that enable a large utility to meet the portfolio targets. A large utility would be permitted to recover qualified investments and operating costs through an automatic adjustment clause, which is a tariff that increases or decreases utility rates without the need for a general rate case (i.e., administrative hearing). The measure would also establish a competitive bidding process for large utilities.

A small utility would be subject to a rate cap limiting its costs to make qualified investments and procure renewable natural gas. The cap would be expressed as a percentage of the utility's revenue requirement as approved by the PUC in the utility's most recent general rate case. A small utility would also be permitted to recover qualified investments and operating costs through an automatic adjustment clause.

To manage its additional rulemaking responsibilities, the PUC would need to hire a permanent, full-time Utility and Energy Analyst 3 position (0.83 FTE in 2019-21, 1.00 FTE in 2021-23). The measure does not identify a revenue source to defray these additional costs. For that reason, the measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its budgetary impact on the PUC, including expenditure limitation and position authority.