

SB 98 A STAFF MEASURE SUMMARY

Senate Committee On Environment and Natural Resources

Action Date: 03/14/19

Action: Do pass with amendments and requesting referral to Ways and Means. (Printed A-Engrossed.)

Vote: 5-0-0-0

Yeas: 5 - Bentz, Dembrow, Olsen, Prozanski, Roblan

Fiscal: Fiscal impact issued

Revenue: No revenue impact

Prepared By: Beth Patrino, LPRO Analyst

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 large renewable gas (RNG) program for large utilities and a small renewable gas program for small utilities. 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. Authorizes participating large natural gas utility (200,000 or more customer accounts in Oregon) 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 by large natural gas utility to include 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 exceeds 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. Upon filing by a small natural gas utility (fewer than 200,000 customer accounts in Oregon) 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 by small natural gas utility to include cost of capital established by PUC in most recent general rate case. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Opportunities for renewable gas development
- Effect of utility entry to marketplace
- Consumer protections

EFFECT OF AMENDMENT:

Replaces measure. Revises definitions of "biogas," "qualified investment," "renewable energy source," and "renewable natural gas." Adds definition of "renewable natural gas infrastructure." Prohibits PUC from adopting rules that prohibit an affiliated interest of a natural gas utility from making a capital investment in a biogas production project if the affiliated interest is not a public utility. Allows large utilities to procure natural gas from a

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third party to meet portfolio targets. Requires competitive bidding process for certain investments.

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 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 A would direct the Oregon Public Utility Commission to adopt an RNG program that allows large natural gas utilities to recover investments made to meet targets for including RNG in gas purchases for natural gas consumers.