

Requested by SENATE COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES

**PROPOSED AMENDMENTS TO
SENATE BILL 98**

1 On page 1 of the printed bill, delete lines 4 through 28 and delete pages
2 2 and 3 and insert:

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

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

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

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

11 **“(2) The Legislative Assembly therefore declares that:**

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

15 **“(b) Regulatory guidelines for the procurement of renewable na-
16 tural gas and investments in renewable natural gas infrastructure
17 should enable the procurements and investments while also protecting
18 Oregon consumers.**

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

20 **“(1) ‘Biogas’ means gas that is produced from organic waste or
21 other organic materials through anaerobic digestion, gasification,**

1 **pyrolysis or other technology that converts organic waste to gas.**

2 **“(2) ‘Large natural gas utility’ means a natural gas utility with**
3 **200,000 or more customer accounts in Oregon.**

4 **“(3) ‘Natural gas utility’ means a public utility providing natural**
5 **gas service to customers.**

6 **“(4) ‘Qualified investment’ means any expense or capital investment**
7 **incurred by a natural gas utility, for the purpose of providing gas**
8 **utility service to customers in Oregon, through developing, acquiring**
9 **and operating renewable natural gas infrastructure.**

10 **“(5) ‘Renewable energy sources’ means hydroelectric, geothermal,**
11 **solar photovoltaic, wind, tidal, wave or biogas energy sources.**

12 **“(6) ‘Renewable natural gas’ means:**

13 **“(a) Any of the following products processed to meet pipeline qual-**
14 **ity standards or transportation fuel grade requirements:**

15 **“(A) Biogas;**

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

17 **“(C) Methane gas derived from any combination of two or more of**
18 **the following:**

19 **“(i) Biogas.**

20 **“(ii) Hydrogen gas derived from renewable energy sources.**

21 **“(iii) Waste carbon dioxide; or**

22 **“(b) Natural gas that has been bundled with the necessary envi-**
23 **ronmental attributes so as to represent the full environmental benefits**
24 **of renewable natural gas.**

25 **“(7) ‘Small natural gas utility’ means a natural gas utility with**
26 **fewer than 200,000 customer accounts in Oregon.**

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

30 **“(2) The commission shall adopt by rule a small renewable natural**

1 gas program for small natural gas utilities pursuant to section 6 of
2 this 2019 Act.

3 “(3) Rules adopted by the commission under this section must in-
4 clude:

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

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

11 **“SECTION 5. (1) A large natural gas utility that participates in the**
12 **large renewable natural gas program adopted by rule by the Public**
13 **Utility Commission under section 4 (1) of this 2019 Act may make**
14 **qualified investments to meet the following portfolio targets for the**
15 **percentage of gas purchased by the large natural gas utility for dis-**
16 **tribution to retail natural gas customers in Oregon that is renewable**
17 **natural gas:**

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

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

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

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

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

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

30 “(2) The commission shall adopt ratemaking mechanisms that en-

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

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

10 “(b) Costs of procurement of renewable natural gas from third
11 parties that contributes to the large natural gas utility's meeting the
12 targets set forth in subsection (1) of this section may be recovered by
13 means of an automatic adjustment clause, as defined in ORS 757.210,
14 or other recovery mechanism authorized by rule.

15 “(3) When a large natural gas utility makes a qualified investment
16 in the production of renewable natural gas, the costs associated with
17 the qualified investment shall include the cost of capital established
18 by the commission in the large natural gas utility's most recent gen-
19 eral rate case.

20 “(4) If the large natural gas utility's total incremental annual cost
21 to meet the targets of the large renewable natural gas program ex-
22 ceeds five percent of the large natural gas utility's total revenue re-
23 quirement for an individual year, the large natural gas utility may no
24 longer be authorized to make additional qualified investments under
25 the large renewable natural gas program for that year without ap-
26 proval from the commission.

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

29 “(a) Any value received by a large natural gas utility upon any re-
30 sale of renewable natural gas, including any environmental credits

1 that the renewable natural gas producer chooses to include with the
2 sale of the renewable natural gas to the large natural gas utility; and

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

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

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

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

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

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

28 “(B) Identification of the qualified investments that the small na-
29 tural gas utility may make in renewable natural gas infrastructure.

30 “(b) A small natural gas utility may from time to time revise the

1 filing submitted to the commission under this section.

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

6 “(4) When a small natural gas utility makes a qualified investment
7 in the production of renewable natural gas, the costs associated with
8 that qualified investment shall include the cost of capital established
9 by the commission in the small natural gas utility’s most recent gen-
10 eral rate case.

11 “SECTION 7. The Public Utility Commission shall adopt rules pur-
12 suant to sections 4 to 6 of this 2019 Act no later than July 31, 2020.

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

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