

April 22, 2020

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**VIA ELECTRONIC MAIL**

Public Utility Commission of Oregon  
Attention: Filing Center  
201 High Street SE, Suite 100  
Salem, Oregon 97308-1088

**RE: AR 632—Renewable Natural Gas Rulemaking—NW Natural Comments**

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), provides to the Public Utility Commission of Oregon (Commission) the following comments in the above-referenced proceeding.

NW Natural provides the following considerations, organized by the proposed rules included in the March 31, 2020 Notice of Proposed Rulemaking (NOPR) as Oregon Administrative Rules (OAR) Chapter 860, Division 150. We also provide proposed redline changes to the proposed rules as an attachment to these comments. NW Natural notes that references in our comments to a specific section of the draft rules reflect the numbering/lettering in the NOPR proposed rules. We also include comments in response to the issues raised by the Commission and stakeholders at the March 19, 2020 public meeting. Finally, the Company notes that the following comments will also be addressed by NW Natural team members at the April 28, 2020 public meeting.

**860-150-0005 Purpose, Scope, and Applicability**

NW Natural has no comments on this section of the proposed rules at this time.

**860-150-0010 Definitions**

NW Natural has no comments on this section of the proposed rules at this time, but notes that due to the discussion below regarding 860-0150-0050, any potential changes to the definition of environmental attributes should be made consistent with, or should not otherwise inadvertently affect, the definition of renewable thermal certificate (RTC).

**860-150-0050 Environmental Attributes and Renewable Thermal Certificates**

1. *The Commission should adopt the “book-and-claim” accounting system for RTCs that is established in the draft rules.*

NW Natural appreciates that the draft rules adopted “a ‘book-and-claim’ accounting

system, whereby RTCs . . . can be tracked electronically from the point in time when the RNG is injected into a common carrier pipeline, with no need to track the physical gas itself.”<sup>1</sup> NW Natural strongly supports such a system, which is consistent with how RNG is tracked in the California Low Carbon Fuel Standard (LCFS), the Oregon Clean Fuels Program, and the federal Renewable Fuel Standard. All of these programs, like the draft rules, allow for the environmental attributes to be “unbundled” from the physical RNG. This is crucial in reducing the cost of RNG that NW Natural procures for its customers.

- 2. The addition of 860-150-0050(15) gives the Commission flexibility to adopt a different RTC tracking system if necessary.*

NW Natural appreciates the Commission adding 860-150-0050(15) to the draft rules, which provides flexibility for utilities to use a generally-applicable RTC tracking system other than the M-RETS system. While NW Natural does not currently have a concern with the M-RETS tracking system, adding this section to the draft rules allows the Commission to change the RTC tracking system without the need to modify the rules adopted in this proceeding. NW Natural supports this addition.

- 3. The Commission should remove sections (11), (12), and (14) of 860-150-0050 because those requirements should be satisfied through the RTC tracking system.*

As in its earlier comments, NW Natural proposes to remove sections (11) and (12) of 860-150-0050 that requires the natural gas utility to obtain attestations from all “upstream” holders of a renewable thermal certificate and retain these for inspection by the Commission. The Commission should also remove section (14), which allows a gas utility to store attestations in M-RETS in order to comply with section (11). All of these requirements are unnecessarily burdensome on the natural gas utility because the utility is already required by rule to use M-RETS or another Commission-approved tracking system per section (2). M-RETS would record, track, and monitor the renewable thermal certificates to ensure the integrity of those certificates. To reduce the administrative burden and costs of the program, this obligation should rest with one entity. In connection with this proposal, NW Natural proposes conforming changes to remove the phrase “as well as the attestations described in section (11)” from 860-150-0050(13), and modify Section (15) to adjust the section numbers based on the removal of sections (11), (12), and (14).

- 4. The definitions of “environmental attributes” and “renewable thermal certificates” should clarify that there are two distinct greenhouse gas benefits derived from RNG production.*

During the Commission hearing there was a useful discussion regarding the appropriate definition for “Environmental Attributes” and the concept of separating carbon offsets

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<sup>1</sup> Staff Report, page 7.

from the attributes of RNG. NW Natural supports the changes outlined by 3Degrees in their March 2, 2020 comment:

*3Degrees recommends revising definition (3) "Environmental Attributes" to clarify that the Avoided Methane Emissions Benefit is not included in a thermal renewable certificate. As currently written, the definition could be interpreted to include the Avoided Methane Emissions Benefit that may occur as the result of a methane capture project ("all environmental claims, credits, benefits, emissions reductions, offsets, and allowances attributable to the production of renewable natural gas and its avoided emission of pollutants.").*

The RNG rules should clarify that there are two distinct greenhouse gas benefits associated with RNG production: a) the benefit associated with displacing conventional gas with renewable gas (which replaces anthropogenic emissions with biogenic emissions) and b) the benefit associated with the destruction of upstream methane.

As 3Degrees suggests, the environmental attribute definition should cover all the environmental benefits and credits associated with the displacement of conventional gas – but this does not include any possible greenhouse gas benefit associated with methane destruction upstream. In projects where there are these methane benefits – these benefits may be monetized and accounted for using existing offset methodologies.

The division of these credits has several benefits. First, it allows a project producer to monetize both of these benefits and will help increase RNG production. Secondly, it will help drive methane reductions through the use of offset protocols; these near-term methane reductions are critical in reducing early impacts of climate change. Finally, a system that includes a renewable thermal credit and an offset is consistent with the treatment of biogas used to make electricity and is consistent with the regulatory structures – such as Cap and Trade – that natural gas utilities are likely to see in the future.

NW Natural supports clarifications in the definitions of environmental attributes or renewable thermal certificates that would delineate the two greenhouse gas benefits derived from RNG production. It is our understanding that 3Degrees will be proposing specific changes to the rules in its next filing in this rulemaking proceeding. Upon review of those proposed changes, NW Natural intends to file comments in response to the proposal.

### **860-150-0100 Renewable Natural Gas Resource Planning**

NW Natural has no comments on this section of the proposed rules at this time.

## **860-150-0200 Incremental Costs**

1. *The Commission should adopt NW Natural's edits to 860-150-0200 to clarify that all appropriate costs are included in the incremental cost calculation in a simple and transparent way.*

NW Natural's recommended edits to section (1) of 860-150-0200 clarify that the incremental cost calculation reflects all RNG costs that are above and beyond those required to acquire conventional natural gas (i.e., on an "all-in basis").<sup>2</sup> NW Natural believes that its edits, which have been slightly revised since they were first provided as part of its March 2 comments, is consistent with the legislative intent of ORS 757.396(5) to reflect all costs associated with acquiring RNG in the incremental cost calculation in a simple and transparent way.

Specifically, NW Natural proposes simplifying section (1) of 860-150-0200. To calculate the incremental cost under the current draft rules, a natural gas utility first would calculate the difference between RNG purchased from a third party and the cost of a comparable quantity of conventional natural gas per section (1)(b-c). Next, the utility would calculate the difference between a qualified investment that is not cost-effective (i.e., more expensive than conventional gas) and the cost of a comparable quantity of conventional natural gas under section (1)(d).

By separating costs into two buckets (qualified investments and third-party purchase costs), the draft rules do not explicitly include operating costs associated with qualified investments. ORS 757.396(2)(a) identifies the "operating costs" associated with qualified investments, and ORS 757.396(2)(b) more broadly refers to the "costs" of procurement of RNG from third parties. For example, a project currently being considered has the following separate costs and revenues that would all be necessary in order to deliver RNG from the project to utility customers:

1. Contractual payment to a feedstock owner for a source of RNG feedstock that, because of its raw form (e.g., manure) does not meet the definition of RNG in the draft rules. Payments to feedstock owners for their raw material are a very typical part of the overall cost of RNG projects.
2. A royalty payment to a project owner for raw biogas if the project owner has already made an investment in digestion equipment or landfill gas collection systems.
3. A payment to a developer for their development services (including securing all necessary agreements, making equipment selection, managing the project development, etc.) when investing in a new RNG project.
4. An investment by the utility to connect the project to its distribution system (interconnection costs).
5. Carbon intensity certification and evaluation costs.

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<sup>2</sup> NW Natural's definition of "all-in" costs is an important consideration in the investigation taking place in UM 2030.

6. Revenues from credit sales in transportation markets.

In addition to not including the operating costs associated with the acquisition of RNG, the draft rules do not appear to ensure that RNG that is less expensive than conventional gas will reduce the incremental cost to customers, no matter how the cost is classified (purchased RNG, qualified investments, operating costs, etc.). In its March 2 comments, NW Natural stated that it is clear that RNG that is more expensive than conventional gas contributes to the incremental cost of RNG to customers. Similarly, it should also be clear that RNG that is less expensive than conventional gas reduces the incremental cost to customers. NW Natural believes that this concept applies to all RNG. However, the current draft rules only apply this concept to RNG purchases from a third party in section (1)(c). For qualified investments in the current draft rules, there is no section that is analogous to section (1)(c) and, as explained above, other types of costs, such as operating costs associated with qualified investments, are not explicitly addressed at all.

To remedy these issues, NW Natural proposes a new section (1)(b). This section would remove the two cost buckets. Instead, the incremental cost of an RNG resource would be the difference between the levelized annual cost of the RNG that a large natural gas utility acquires for its retail utility customers and the levelized annual cost of an equivalent amount of non-RNG natural gas consistent with the methodology used to evaluate RNG resources in the utility's most recent integrated resource plan.<sup>3</sup>

NW Natural also proposes a new section (1)(c), which specifies that the incremental cost calculation includes all costs that the large natural gas utility reasonably expects to incur to deliver RNG to customers and include in the utility's rates. This ensures that all costs, including operating costs associated with qualified investments, are part of the draft rules' incremental cost calculation. NW Natural's proposed section (1)(c) incorporates section (1)(f) from the current draft rules, which provides that any value that the utility receives from the re-sale of RNG to non-retail customers is subtracted from the costs of an RNG resource.

If the Commission declines to accept NW Natural's edits to these sections, we respectfully request that the Commission otherwise clarify that: 1) the draft rules are intended to reflect all costs associated with acquiring RNG in the incremental cost calculation, and 2) RNG that is less expensive than conventional gas reduces the incremental cost to customers for both third-party purchases and qualified investments to provide symmetry in the evaluation of incremental costs.

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<sup>3</sup> The reference to the methodology used to evaluate RNG resources in the utility's most recent integrated resource plan is taken from section (1)(a) of the current draft rules.

- 2. The Commission should adopt NW Natural's edits to 860-150-0200(1) to ensure that the incremental cost calculation is in levelized terms for all RNG costs.*

NW Natural's edits to sections (1)(b) and (1)(d) of 860-150-0200 reflect our belief that the incremental cost calculation should be in levelized terms for all RNG costs, not just qualified investments as the draft rules contemplate. Using levelized costs ensures that volatility in costs avoided from an RNG project (e.g. the price of natural gas and greenhouse gas compliance costs) does not result in volatile and temporary incremental cost figures from year to year and better incorporates the cost and values of RNG to customers through time. The distribution of the different types of costs, and even the amount of RNG to be delivered to customers, is not likely to be constant through time. However, like all other resources the present-value of revenue requirement of RNG from the project is used to evaluate the cost-effectiveness of that project. Given this, NW Natural believes a levelized approach that evaluates the net benefit to customers through time, similar to the approach with the renewable portfolio standard for electric utilities, is the most appropriate approach to calculate the incremental cost of the RNG secured for customers. Therefore, NW Natural has specified that the incremental cost calculation for each RNG resource should be in levelized terms in sections (1)(b) and (1)(d).

### **860-150-0300 Mechanisms for Recovery of Prudently Incurred Costs by Large Natural Gas Utilities**

- 1. The Commission should establish an automatic adjustment clause in this rulemaking.*

The Commission should revise the draft rules to include an automatic adjustment clause. As currently written, the draft rules only allow a large natural gas utility to request that the Commission open an investigation into establishing an automatic adjustment clause for qualified investments. This does not reflect what ORS 757.396(2) contemplates. ORS 757.396(2) provides that a utility "may" recover qualified investments through an automatic adjustment clause and directs the Commission to adopt ratemaking mechanisms for prudently incurred costs that contribute to the large natural gas utility meeting the targets under the law. ORS 757.394(3)(b) requires that the Commission establish a process for utilities to fully recover their prudently incurred costs in rules. An opportunity to request an investigation into an automatic adjustment clause does not provide such a process.

In light of these concerns, NW Natural suggests changes to 860-150-0300(4) of the draft rules that would establish the Renewable Natural Gas Adjustment Clause (RNGAC). The RNGAC is modeled after the electric utilities' Renewable Adjustment Clause (RAC), and we envision a similar process for proposed rate changes associated with prudently incurred qualified investments and operating costs associated with qualified investments. The RNGAC will be effectuated through a tariff filing approved by

the Commission. Although we appreciate Staff's statement that 860-150-0300(4), as originally drafted, is "analogous" to the RAC,<sup>4</sup> an open-ended investigation into whether there should even be an automatic adjustment clause does not provide the certainty that electric utilities have had through the RAC and is not consistent with what ORS 757.394(3)(b) and 757.396(2) contemplate.

If the Commission, however, declines to adopt the RNGAC in this rulemaking, NW Natural does not believe an investigation is necessary to establish an automatic adjustment clause. Rather, NW Natural proposes to file an advice filing with a proposed tariff for an automatic adjustment clause. ORS 757.394(3)(b) and 757.396(2) provide that an automatic adjustment clause must be established and that a utility may use it to recover the cost of qualified investments. As such, the review process for the tariff filing would not need to consider whether an automatic adjustment clause should be adopted or when it is appropriate for a utility to make use of it. Given this, the scope of the advice filing should focus on the process a utility would follow to fully recover its prudently incurred costs through an automatic adjustment clause. Aligning the scope of the review of NW Natural's tariff filing proposal with ORS 757.394(3)(b) and 757.396(2) would allow the review to be conducted in an expedited manner, which would provide more certainty around our business planning for RNG acquisitions that is especially needed when exploring opportunities in a nascent market.

- 2. The Commission should remove 860-150-0300(2) from the rules because it is duplicative.*

NW Natural proposed in its March 2 comments to strike the requirement in Section (2) of the draft rules to include the costs of purchased RNG "[i]n filings, annual earnings reviews, and quarterly updates associated with the purchased gas adjustment mechanism." This information will already be provided with the PGA per subsection (1) and the annual compliance reports described in 860-150-600. NW Natural maintains that it is an unnecessary administrative burden to have seven triggers for the same reporting requirement in the same year. If the information is requested for a PGA quarterly meeting, NW Natural can provide that information.

### **860-150-0400 Mechanisms for Recovery of Prudently Incurred Costs by Small Natural Gas Utilities**

NW Natural has no comments on this section of the proposed rules at this time.

### **860-150-0500 Large Natural Gas Utility Investments in Biogas Production**

- 1. The draft rules appropriately reflect that competitive bidding requirements only apply to a limited subsection of qualified investments.*

At the March 19 public meeting, the Commission had questions regarding the scope of

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<sup>4</sup> Staff Report, page 10.

the competitive bidding process. As a threshold matter, the Company notes that competitive bidding in ORS 757.396(4) is limited in its scope, and that the draft rules appropriately reflect this. ORS 757.396(4) requires a competitive bidding process for “a qualified investment in biogas production that is upstream of conditioning equipment, pipeline interconnection or gas cleaning.” NW Natural, for example, may issue a request for proposals to build an anaerobic digester at a particular site. To ensure that NW Natural acquires the anaerobic digester in a cost-effective manner, it would be subject to competitive bidding rules.

Historically, competitive bidding dockets have focused on the acquisition of electricity resources. These dockets focused on major resource acquisition that could be physical resources, owned by independent power producers, or utilities, along with purchase power agreements. NW Natural notes that the electric rules govern the overall acquisition of electricity resources, and not bidding as it relates to a specific project, as required in ORS 757.396(4)

2. *The Commission should adopt NW Natural’s edits to 860-150-0500 to streamline the competitive bidding requirements in order to ensure that such requirements are not an impediment to RNG investment.*

NW Natural appreciates that section (8)(a) of 860-150-0500 state that Commission review and approval is not required for requests for proposals for “upstream” qualified investments that is not anticipated to exceed \$10 million. While this somewhat alleviates the concerns we previously voiced regarding this section, NW Natural believes the threshold should be \$25 million. As NW Natural stated in its March 2 comments, these procurement rules appear to heavily rely on the process that electric utilities must use for resource procurement.<sup>5</sup> The minimum size of electric resources that are subject to the competitive bidding rules are 80 megawatts or greater for a term of five years or more. Costs with these projects are generally in the hundreds of millions of dollars, much higher than RNG qualified investments. As a simple example of the smallest project governed by the Competitive Bidding rules, a five-year power purchase agreement for an 80 MW wind farm, with a 33% capacity factor priced at \$20/MWh could result in costs over \$20 million (5 years \* 8,760 hours \* 80 MW \* \$20/MWh \* 33% = \$23.126 million). Therefore, competitive bidding requirements for upstream RNG qualified investments should only apply to projects of a similar scope.

NW Natural proposes to revise section (3) of 860-150-0400. Specifically, NW Natural believes that the protest process mentioned in section 3(i) should be removed. When combined with section (3)(l), these rules become more prescriptive than the requirements included in division 860-089 rules for electric resource procurement. Similarly, NW Natural does not believe that requests for proposals (RFPs) need to explain why the qualified investment is necessary to meet current or future annual RNG targets, as contemplated in section 3(m). There is no need for a bidder to know such information and the Commission will have the opportunity to review the prudence of the

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<sup>5</sup> OAR Chapter 860, Division 89.



qualified investment outside of the RFP process. All of these subsections should be removed.

NW Natural also proposes to remove sections (4) through (6) of 860-150-0400. This would streamline the rules by removing the requirement for Commission approval of drafts of the natural gas utility's RFPs. These sections require a process that is not commensurate with the pace of the market to acquire RNG. For example, the draft rules require a minimum of 60 days between filing of an RFP with the Commission and receipt of responsive bids. This timeline could easily increase to three months, given the opportunity for any party to request a 30-day delay in the review period. Due to the nature of the projects that will be considered qualified investments, NW Natural believes that utilities should be able use its own procurement procedures and policies to satisfy the competitive bid requirements of SB 98.

NW Natural does not object to the other RFP criteria in section (3). Currently NW Natural has existing procedures and policies that trigger a procurement process for all projects larger than \$100,000 that competitively bids equipment and services, including the issuance of an RFP. These RFPs include all of the elements outlined in 860-150-0500(3)(a). NW Natural's purchasing department typically holds a pre-offer conference and clarifies within the RFP all of the components identified in 860-150-0500(3)(c) through (g).

3. *The Commission should adopt NW Natural's edits to 860-150-0500(8)(b)(D) to remove a potential ambiguity.*

As NW Natural noted in its March 2 comments, there is a potential ambiguity in this section, which reads:

The large natural gas utility submits a bid in response to the invitation to the request for proposals, **in competition with other entities**, and the utility is awarded a contract only after all eligible bids are evaluated in accordance with the procedures of the entity that issued the invitation to bid.  
(emphasis added)

The bolded section may be interpreted to require more than one bid to be submitted in response to a competitive solicitation from an independent third party. If NW Natural was the only bidder, it is unclear what would happen. As explained above, NW Natural cannot conduct an RFP for a project in which it submits a bid without facing a conflict of interest, and NW Natural cannot require third-parties to follow Commission requirements. Striking the bolded section, however, would alleviate these concerns.

### **860-150-0600 Renewable Natural Gas Compliance Reports**

NW Natural has no comments on this section of the proposed rules at this time.

## **Other Comments**

*The Commission should clarify that RNG purchased under SB 98 can also be used in voluntary programs.*

The Company reiterates its previous comments that the rules should clarify that RNG purchased under SB 98 rules is not precluded from being used within other voluntary programs. NW Natural understands that a utility developing a voluntary program for customers and/or a renewable gas tariff program for larger gas users will have to describe an approach for using supply fairly and transparently across multiple programs. Any such voluntary program will be subject to Commission review and approval.

NW Natural has had some preliminary discussion with larger commercial natural gas users who may be interested in a “green gas tariff” that would allow them to produce a higher percentage of RNG than will be provided to all customers under SB 98. It will be more efficient for these customers and we will be able to provide a more competitively priced renewable gas product if we can allocate a portion of RNG to these voluntary efforts. It should be noted that the tracking mechanism contemplated in the current draft rules, M-RETS, is designed in a manner that allows RNG purchases to be allocated to separate utility programs.

NW Natural commends the rigor and collaborative manner in which Staff has developed these draft rules. We appreciate the opportunity to provide these responses to the draft rules and look forward to continuing to participate actively in this proceeding.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Zachary Kravitz*

Zachary Kravitz  
NW Natural

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RULES PROPOSED:

860-150-0005 Purpose, Scope, and Applicability

RULE SUMMARY: This rule is proposed to establish the Scope, Purpose, and Applicability of this new rule Division.

TEXT OF RULE:

- (1) The purpose of these rules is to set forth the requirements governing renewable natural gas programs for large natural gas utilities and for small natural gas utilities.
- (2) These rules apply to purchases of renewable natural gas and to qualifying investments in renewable natural gas infrastructure by large and small natural gas utilities, as defined herein.
- (3) Nothing in these rules prohibits or limits the ability of a natural gas utility to file a rate schedule under which a retail natural gas customer may elect to pay a special rate for a quantity of renewable natural gas equivalent to all or a portion of that customer's natural gas usage, consistent with the filing requirements under ORS 757.205, ORS 757.210, ORS 757.220, OAR Chapter 860, Division 22 and any other applicable requirements specified by the Commission in rule or order.
- (4) Upon request or its own motion, the Commission may waive any of the Division 150 rules for good cause shown. A request for waiver must be made in writing, unless otherwise allowed by the Commission.

**Statutory/Other Authority: ORS 183, 756 & 757**

**Statutes/Other Implemented: ORS 757.394, 757.396, & 757.398**

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RULES PROPOSED:

860-150-0010 Definitions

RULE SUMMARY: This rule is proposed to define necessary terms used throughout this new rule Division.

TEXT OF RULE:

For purposes of this Division, except when a different scope is explicitly stated:

- (1) “Biogas” has the meaning given that term in ORS 757.392.
- (2) “Carbon intensity” or “CI” means the amount of lifecycle greenhouse gas emissions per unit of energy of fuel expressed in grams of carbon dioxide equivalent per megajoule (gCO<sub>2</sub>e/MJ).
- (3) “CFP Online System” has the meaning given that term in OAR 340-253-0040.
- (4) “DEQ” means the Oregon Department of Environmental Quality.
- (5) “Environmental attributes” means any and all environmental claims, credits, benefits, emissions reductions, offsets, and allowances attributable to the production of renewable natural gas and its avoided emission of pollutants. The environmental attributes of renewable natural gas include, but are not limited to, the avoided greenhouse gas emissions associated with the production, transport, and combustion of a quantity of renewable natural gas compared with the same quantity of geologic natural gas. Environmental attributes do not include:
  - (a) The renewable natural gas itself or the energy content of that gas;
  - (b) Any tax credits associated with the construction or operation of the renewable natural gas production facility, and any other financial incentives in the form of credits, reductions, or allowances associated with the production of renewable natural gas that are applicable to a state, provincial, or federal income taxation obligation;
  - (c) Fuel- or feedstock-related subsidies or “tipping fees” that may be paid to the seller to accept certain fuels, or local subsidies received by the renewable natural gas production facility for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits; or
  - (d) Emission reduction credits encumbered or used by the renewable natural gas production facility for compliance with local, state, provincial, or federal operating and/or air quality permits.
- (6) “General rate revision” has the meaning given that term in OAR 860-022-0017.
- (7) “Geologic natural gas” means any ~~fossil~~ natural gas from geologic or non-renewable resources, whether extracted by conventional or unconventional means.
- (8) “Large natural gas utility” has the meaning given that term in ORS 757.392.

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- (9) “M-RETS” means the regional renewable energy certificate system and trading mechanism known as the Midwest Renewable Energy Tracking System, Inc.
- (10) “Natural gas utility” has the meaning given that term in ORS 757.392.
- (11) “OR-GREET” has the meaning given that term in OAR 340-253-0040.
- (12) “Pathway” means a detailed description of all stages of renewable natural gas production and use for a source of RNG, including feedstock generation, production, cleaning or conditioning, transportation, distribution, and combustion of the renewable natural gas by the consumer. The fuel pathway is used to calculate the carbon intensity of each source of renewable natural gas.
- (13) “Production facility” means any facility at which biogas or hydrogen is produced, cleaned, conditioned, upgraded, purified, or processed to meet standards for injection to a natural gas common carrier pipeline as renewable natural gas.
- (14) “Qualified investment” has the meaning given that term in ORS 757.392.
- (15) “Renewable natural gas” or “RNG” has the meaning given that term in ORS 757.392.
- (16) “Renewable thermal certificate” or “RTC” means a unique representation of the environmental attributes associated with the production, transport, and use of one dekatherm of renewable natural gas.
- (17) “Small natural gas utility” has the meaning given that term in ORS 757.392.
- (18) “Target year” means a calendar year, beginning with the year 2020 through and including the year 2050, for which ORS 757.396 establishes portfolio targets for the percentage of gas purchased by a large natural gas utility for distribution to retail natural gas customers in Oregon that is renewable natural gas.
- (19) “Tier 1 calculator” or “Simplified calculator” has the meaning given that term in OAR 340-253-0040.
- (20) “Tier 2 calculator” has the meaning given that term in OAR 340-253-0040.

**Statutory/Other Authority: ORS 183, 756 & 757**

**Statutes/Other Implemented: ORS 756.040, 757.020 & 757.394**

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RULES PROPOSED:

860-150-0050 Environmental Attributes and Renewable Thermal Certificates

RULE SUMMARY: This rule is proposed to establish the accounting, tracking, and recordkeeping requirements and processes for renewable natural gas and its environmental attributes. It is necessary to implement the reporting requirements mandated by ORS 757.394(3). Further, the lifecycle greenhouse gas emissions accounting and reporting required by this rule provide relevant information to the Commission.

TEXT OF RULE:

- (1) The environmental attributes of RNG produced or purchased pursuant to these rules must include, but is not limited to, an estimated carbon intensity for the pathway utilized to produce, transport, and deliver RNG to a retail natural gas customer.
- (2) Each large natural gas utility and each small natural gas utility that is authorized by the Commission to participate in the RNG program under these rules must use RTCs to track the chain of custody of the environmental attributes of RNG that is produced or purchased for the utility's retail natural gas customers in Oregon. RTCs used for compliance with these rules must be issued, monitored, accounted for, and transferred by or through M-RETS.
- (3) All entities that generate, acquire, purchase, sell, transfer, or broker the trade of RTCs for eventual use by a natural gas utility under these rules must register and maintain accounts in good standing with the M-RETS renewable energy certificate system. A natural gas utility may not use RTCs under these rules that are issued by, acquired from, or transferred by an entity that has not complied with all information, data reporting and verification requirements of the M-RETS system, including payment of registration and transaction costs.
- (4) Each entity that generates RTCs pursuant to these rules must estimate the carbon intensity of the pathway for the RNG. To estimate the carbon intensity of the RNG, the entity generating RTCs generator must use one of the following, as appropriate to the pathway in question:
  - (a) A Tier 1 OR-GREET calculator or simplified calculator published by DEQ for the Clean Fuels Program;
  - (b) A Tier 2 OR-GREET calculator published by DEQ for the Clean Fuels Program;
  - (c) A Tier 1 CA-GREET calculator published by the California Air Resources Board (CARB) for use in the California Low Carbon Fuel Standards (LCFS) program, with the transportation and distribution cells modified for that RNG's pathway to Oregon;
  - (d) A Tier 2 CA-GREET calculator published by CARB for use in the LCFS program, with the transportation and distribution cells modified for that RNG's pathway to Oregon; or

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- (e) A methodology that a natural gas utility may otherwise be directed to use by Commission order.
- (5) For any of the calculators described in section (4), entities submitting documentation to M-RETS are not required to use cells that would not apply to RNG delivered to retail natural gas utility customers, such as compression above normal pipeline pressures that would only be appropriate for compressed natural gas (CNG) vehicle fuels. In the Natural Gas Transport cells of the calculators, an entity may use the pipeline distance to a large or small natural gas utility's city gate instead of pipeline distance to a CNG station.
- (6) Each entity that generates RTCs pursuant to these rules must provide documentation to M-RETS regarding the carbon intensity of the pathway in question pursuant to section (4). That documentation must include:
  - (a) One of the calculators described in section (4), with the appropriate cells modified and values entered for the pathway in question; and
  - (b) A resultant carbon intensity value for the pathway in question.
- (7) Upon the Commission's request, each large natural gas utility and each small natural gas utility that participates in the RNG program must provide documentation to demonstrate that, for each RTC the natural gas utility purchased or otherwise acquired, one dekatherm of RNG was delivered to an injection point on a natural gas common carrier pipeline.
- (8) A large natural gas utility must retire one RTC in the M-RETS system for each dekatherm of RNG counted towards the annual targets for a large natural gas utility established in ORS 757.396.
- (9) A small natural gas utility participating in the RNG program described in these rules must retire one RTC in the M-RETS system for each dekatherm of RNG counted towards the quantity of RNG the utility specified in its filing with the Commission pursuant to OAR 860-150-0400.
- (10) Once retired, a RTC may not be sold, transferred, or claimed again by a natural gas utility or any other entity.
- ~~(11) A large natural gas utility or a small natural gas utility participating in the RNG program described in these rules must obtain attestations from the RTC generator and from each other entity that purchased, received, or otherwise acquired custody of each RTC prior to the natural gas utility collectively demonstrating that:
  - ~~(a) The entity claiming the environmental attributes represented by each RTC has the exclusive right to claim environmental attributes associated with the RNG;~~
  - ~~(b) The environmental attributes, and the RTC that represents those attributes, are associated with RNG produced by a specific entity, in a specific location, using a specific process and a specific pathway; and~~~~

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~~(c) The environmental attributes have not been used or claimed in any other program or jurisdiction.~~

~~(12) Each large natural gas utility and each small natural gas utility participating in the RNG program must retain the attestations described in section (11) and make them available for review by the Commission upon request.~~

~~(13)~~(11) Each large natural gas utility and each small natural gas utility participating in the RNG program described in these rules must maintain records of each RTC retired under the RNG program, ~~as well as the attestations described in section (11),~~ for a minimum of five (5) years after the date on which the RTC was retired.

~~(14) The attestations described in section (11) of these rules may be made, stored, and transferred electronically through the M-RETS system or through another means specified by the Commission.~~

~~(15)~~(12) Large natural gas utilities and small natural gas utilities may be directed by Commission order to use a generally-applicable RTC tracking system instead of the M-RETS system. In that event, all references to the M-RETS system in sections (2) through ~~(14)~~(11) of this rule shall apply to the designated RTC tracking system.

~~(16)~~(13) For a large natural gas utility, an RTC generated during the target year, the preceding year or the subsequent year may be retired to comply with the annual RNG targets established in ORS 757.396. For a small natural gas utility, an RTC may be retired during the year in which it is generated, during the subsequent year, or retired and applied to the year preceding the year the RTC was generated.

~~(17)~~(14) An unused RTC expires, for the purposes of these rules, at 11:59 p.m. on December 31 of the year subsequent to the year during which the RTC was generated. A natural gas utility may not use an expired RTC to comply with these rules.

**Statutory/Other Authority: ORS 183, 756 & 757**

**Statutes/Other Implemented: ORS 757.394; ORS 756.105**



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RULES PROPOSED:

860-150-0100 Renewable Natural Gas Resource Planning

RULE SUMMARY: This rule proposed to establish requirements for the types of information about renewable natural gas that each natural gas utility must include in its future integrated resource plans. This information will help PUC Staff and the Commission evaluate purchases and investments by natural gas utilities during ratemaking proceedings, pursuant to proposed OAR 860-150-0300 and OAR 860-150-0400. Later, this information will also inform the annual compliance reports specified in proposed OAR 860-150-0600, pursuant to ORS 757.394(3).

TEXT OF RULE:

- (1) Each large natural gas utility and small natural gas utility must, as part of an integrated resource plan filed after August 1, 2020, include information relevant to the RNG market, prices, technology, and availability that would otherwise be required under the Commission’s Integrated Resource Plan Guidelines, by order of the Commission, or by administrative rules.
- (2) In addition to the information required under section (1), a large natural gas utility must also include in each integrated resource plan:
  - (a) Information about opportunities, challenges, and the natural gas utility’s strategy for meeting annual RNG targets in ORS 757.396 during the period of the integrated resource plan’s action plan; and
  - (b) The cost effectiveness calculation that the utility will use to evaluate RNG resources, pursuant to OAR 860-150-0200.
- (3) In addition to the information required under section (1), each small natural gas utility must also include in its integrated resource plan:
  - (a) An indication whether and when the utility expects to make a filing with the Commission, pursuant to OAR 860-150-0400, of its intent to begin participating in the RNG program described in these rules, if the utility has not already started to participate in the RNG program;
  - (b) Information about opportunities, challenges, perceived barriers, and the natural gas utility’s strategy for participation in the RNG program described in these rules; and
  - (c) The cost effectiveness calculation that the utility will use, pursuant to OAR 860-150-0200, to evaluate RNG resources, if the utility has not already filed this with the Commission pursuant to OAR 860-150-0400.
- (4) The requirements of this rule are in addition to all requirements concerning integrated resource plans contained in OAR 860-027-0400 and as specified by Commission Order Numbers 07-002 and 07-047.

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**Statutory/Other Authority: ORS 183, 756.040 & 757.262**

**Statutes/Other Implemented: ORS 756.040 & 757.262**

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RULES PROPOSED:

860-150-0200 Incremental Costs

RULE SUMMARY: This rule is proposed to set forth the methodology for a natural gas utility to calculate its total incremental annual costs, as required by ORS 757.396.

TEXT OF RULE:

(1) For the purposes of ORS 757.396, a large natural gas utility must calculate its total incremental annual cost as follows:

- (a) A large natural gas utility must apply a cost-effectiveness calculation to all RNG that the utility acquires for its retail natural gas customers. ~~The cost-effectiveness calculation must be consistent with the methodology used to evaluate RNG resources in the utility's most recently acknowledged integrated resource plan, or integrated resource plan update, or as the utility may otherwise be directed by order of the Commission;~~
- (b) ~~The incremental cost for any RNG resource in subsection (1)(a) of this rule is the difference between the levelized annual cost of the RNG that a large natural gas utility acquires for its retail utility customers and the levelized annual cost of an equivalent amount of non-RNG natural gas consistent with the methodology used to evaluate RNG resources in the utility's most recent integrated resource plan or integrated resource plan update or as the utility may otherwise be directed by order of the Commission.~~
- (c) ~~Incremental cost estimates for RNG must include all costs that the large natural gas utility reasonably expects to incur to deliver RNG to customers and include in the utility's rates. Costs must include, but are not limited to, qualified investments, minus any value received during that year by the large natural gas utility upon any resale of renewable natural gas to an entity other than a retail utility customer, including any associated renewable thermal certificates that will reduce the net impact of the RNG resource to the utility's rates.~~
- (b)(d) ~~For each purchase of RNG from a third party that is not cost effective according to the calculation in subsection (1)(a) of this rule, the dollar value of the difference between the cost of the purchased RNG and a cost-effective purchase of a comparable quantity of geologic natural gas of the same vintage and contract duration represents the incremental cost of that purchased RNG. During each year, the levelized incremental cost of each RNG resource purchases will be summed to calculate a total annual incremental levelized cost. their contribution toward the utility's total annual incremental cost;~~

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- ~~(c) For each purchase of RNG from a third party that is cost effective according to the calculation in subsection (1)(a) of this rule, the dollar value of the difference between the cost of the purchased RNG and comparable quantity of geologic natural gas of the same vintage and contract duration represents the cost savings of that purchased RNG. During each year, the cost savings of all RNG purchases will be summed and subtracted from the incremental cost of RNG purchases described in subsection (1)(c);~~
  - ~~(d) For each qualified investment that is not cost effective according to the calculation in subsection (1)(a) of this rule, the dollar value of the difference between the cost of the qualified investment and a cost-effective proxy resource represents the incremental cost of that qualified investment;~~
  - ~~(e) During each year, the levelized incremental cost of each qualified investment described in subsection (1)(d) must be summed to calculate a gross total annual incremental levelized cost; and~~
  - ~~(f) To calculate a net total annual incremental levelized cost, a large natural gas utility must sum the value calculated according to subsection (1)(b) and the gross total annual incremental levelized cost according to subsection (1)(d), then subtract from this total any value received during that year by a large natural gas utility upon any resale of RNG to an entity other than a retail utility customer, including any associated RTCs.~~
- (2) The resultant net cost described in subsection (1)(d) will serve as a large natural gas utility's total incremental annual levelized cost for the purposes of ORS 757.396 and these rules.
- (3) If a large natural gas utility's total incremental annual levelized cost exceeds five percent of the large natural gas utility's total revenue requirement from the utility's normalized results of operations report that was most recently filed with the Commission, the large natural gas utility may not make another qualified investment during that year unless:
- (a) The large natural gas utility immediately files a petition with the Commission to exceed its revenue requirement cap, stating that it has exceeded or expects to exceed the five percent of total revenue requirement cap;
  - (b) In its filing, the large natural gas utility shows good cause why it should continue to make qualified investments that year to meet the applicable annual RNG target volume set forth in ORS 757.396;
  - (c) In its filing, the large natural gas utility identifies the number of, and associated costs for, all qualified investments made during that year as of the date of the filing;
  - (d) In its filing, the large natural gas utility identifies all the qualified investments that it intends to make before the end of the year and the total anticipated costs associated with those additional investments;

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- (e) In its filing, the large natural gas utility requests the Commission’s approval to continue making qualified investments during that year; and
  - (f) The Commission approves the utility’s request to continue making qualified investments during that year.
- (4) After a large natural gas utility makes a filing pursuant to section (3), the Commission generally will consider whether to approve or deny the utility’s petition, or to conduct further investigation, within thirty days of the filing. The Commission may consider comments on the petition from interested persons that are filed within fifteen days of the utility’s petition.

**Statutory/Other Authority: ORS 756 & 757**

**Statutes/Other Implemented: ORS 757.396**

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RULES PROPOSED:

860-150-0300 Mechanisms for Recovery of Prudently Incurred Costs by Large Natural Gas Utilities

RULE SUMMARY: This rule is proposed to set forth the various methods by which a large natural gas utility may recover prudently incurred costs associated with the renewable natural gas program, pursuant to ORS 757.396.

TEXT OF RULE:

- (1) A large natural gas utility may make a filing, consistent with the requirements of OAR 860-022-0070 and other applicable rules of the Commission, seeking to pass through prudently incurred costs associated with the purchase of RNG to meet the annual targets for a large natural gas utility established in ORS 757.396, excluding qualified investments, by means of its purchased gas adjustment mechanism. Such costs may also include the utility's cost of registration for the RTC tracking system described in OAR 860-150-0050, transaction costs for any RTCs acquired in association with the purchase of RNG from another entity, and transaction costs incurred to retire the RTCs associated with gas delivered to retail natural gas utility customers.
- ~~(2) In filings, annual earnings reviews, and quarterly updates associated with the purchased gas adjustment mechanism, a large natural gas utility must clearly identify costs of purchased RNG and the costs associated with RTCs described in section (1) of this rule.~~
- ~~(3)~~(2) A large natural gas utility filing new or revised tariff schedules that constitute a general rate revision may seek to recover prudently incurred costs associated with qualified investments in its filing.
- ~~(3) A large natural gas utility may recover prudently incurred costs associated with a qualified investment and the operating costs associated with the qualified investment through a Renewable Natural Gas Adjustment Clause (RNGAC).~~
  - ~~a. The RNGAC is an automatic adjustment clause as described in 757.396(2)(b) and provided for under 757.210.~~
  - ~~b. The RNGAC will recover revenue requirements of prudently incurred qualified investments and operating costs associated with qualified investments not otherwise included in rates through an approved tariff schedule.~~
  - ~~c. Revenue requirements recovered under the RNGAC may be incorporated in rates as the qualified investments are placed into service.~~
  - ~~d. Revenue requirements recovered under the RNGAC tariff will be recovered in base rates.~~

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e. A natural gas utility must file with the Commission for approval of a proposed rate change to the RNGAC. A filing for a proposed rate change is subject to the Commission's authority under ORS 757.215.

f. A natural gas utility will include costs and revenues associated with qualified investments and operating costs associated with qualified investments in the natural gas utility's results of operations.

~~(4) A large natural gas utility may file a request that the Commission open an investigation to establish an automatic adjustment clause for recovery of prudent costs associated with qualified investments that meet criteria to be established by the Commission.~~

~~(5) If the Commission establishes an automatic adjustment clause pursuant to section (4), any rate adjustments made through this clause since the natural gas utility's most recent general rate revision may be incorporated in the natural gas utility's next general rate revision, as appropriate.~~

**Statutory/Other Authority: ORS 756 & 757**

**Statutes/Other Implemented: ORS 757.394 & 757.396**

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RULES PROPOSED:

860-150-0400 Mechanisms for Recovery of Prudently Incurred Costs by Small Natural Gas Utilities

RULE SUMMARY: This rule is proposed to establish the requirements for an initial filing by a small natural gas utility that wishes to participate in the renewable natural gas program. This rule also sets forth the various methods by which a large natural gas utility may recover prudently incurred costs associated with the renewable natural gas program, pursuant to ORS 757.398.

TEXT OF RULE:

- (1) Before a small natural gas utility makes a qualified investment for the first time, or purchases RNG from a third-party producer with the intent to seek cost recovery in a new or revised tariff schedule, the utility must file a petition to participate in the RNG program with the Commission. In addition to the information required under ORS 757.398, the small natural gas utility's petition must include:
  - (a) The total volume of RNG to be procured per year over a period concluding at the end of the last month of the test year used in the general rate revision filing, expressed as a percentage of all natural gas expected to be delivered to the utility's retail natural gas customers in Oregon;
  - (b) Identification of qualified investments the small natural gas utility may make during the period specified in the filing, including the expected average cost and timing of those investments, and the average annual quantity of RNG those investments will produce;
  - (c) The expected value of any RTCs to be acquired by the utility during the period specified in the filing;
  - (d) The expected value of any RNG that the small natural gas utility intends to sell to a party who is not a retail natural gas utility customer, including the value of any environmental credits that the utility may acquire from the RNG producer and resell;
  - (e) Any expected savings to be achieved through the avoidance of geologic natural gas costs, to be calculated in the manner described in OAR 860-150-0200 (3);
  - (f) The costs of the identified annual RNG procurements and the levelized costs of all qualified investments expressed as a percentage of the utility's total revenue requirement, where this requirement is that approved by the Commission in the utility's most recently completed general rate revision;



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- (g) An assessment by the utility of the relative cost effectiveness of the all qualified investments it intends to make during the period concluding at the end of the last month of the test year used in the general rate revision filing. This assessment must utilize the same formula utilized by a large natural gas utility pursuant to OAR 860-150-0200 or another formula specified by the Commission;
  - (h) The utility’s proposed annual rate cap limiting the cost of RNG purchases and qualified investments.
- (2) The small natural gas utility may not make RNG purchases or qualified investments in excess of the annual rate cap established by the Commission, except in an instance where the anticipated annual costs would have remained below the cost cap but for an unforeseeable increase on construction costs associated with a qualified investment.
- (3) After a small natural gas utility has made a complete filing pursuant to section (1), and after the Commission has approved the small natural gas utility’s filing and set a rate cap, the small natural gas utility may file a general rate revision to seek to recover prudently incurred costs associated with qualified investments consistent with its filing made under section (1).
- (4) If the small natural gas utility wishes to revise its participation in the RNG program at any time, renew it after the end of the time period specified in the petition, make additional RNG purchases or qualified investments beyond those described in the filing, or request that the Commission revise the rate cap described in this section, the small natural gas utility must file a petition to modify or renew its RNG program with the Commission that contains the information required under section (1).
- (5) The small natural gas utility may, as part of its petition described in section (1), include a request to pass through prudently incurred costs associated with the purchase of RNG from another entity to meet its target volumes as approved by the Commission, excluding qualified investments, by means of its purchased gas adjustment mechanism. Such costs may include the utility’s cost of registration for the RTC tracking system described in OAR 860-150-0050, transaction costs for any RTCs acquired in association with the purchase of RNG from another entity, and transaction costs incurred to retire the RTCs associated with gas delivered to retail ~~natural gas~~utility customers.
- (6) In filings, annual earnings reviews, and quarterly updates associated with the purchased gas adjustment mechanism, a small natural gas utility must clearly identify costs associated with the purchase of RNG and costs of compliance described in section (5) of this rule.
- (7) If the Commission has accepted a small natural gas utility’s petition to participate in the RNG program, the small natural gas utility may file a request that the Commission open an

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investigation to establish an automatic adjustment clause for recovery of prudently incurred costs associated with certain qualified investments.

**Statutory/Other Authority: ORS 756 & 757**

**Statutes/Other Implemented: ORS 757.394 & 757.398**

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RULES PROPOSED:

860-150-0500 Large Natural Gas Utility Investments in Biogas Production

RULE SUMMARY: This rule is proposed to implement the requirement in ORS 757.396 for a large natural gas utility to engage in a competitive bidding process before it may make certain qualified investments.

TEXT OF RULE:

- (1) Pursuant to ORS 757.396(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 must engage in a competitive bidding process as provided in this rule.
- (2) A large natural gas utility must issue a request for proposals to initiate a competitive bidding process that contains the information required by section (3) of this rule.
- (3) At a minimum, the utility's request for proposals must include:
  - (a) A description of the project, specifications, delivery or performance schedule, inspection and acceptance requirements. This description must:
    - (A) Identify the scope of the work to be performed under the resulting contract, if the large natural gas utility awards one. The scope of work must require the contractor to comply with all applicable federal, state, and local laws, standards, and permit or inspection requirements;
    - (B) Outline the anticipated duties of the contractor under any resulting contract; and
    - (C) Establish the expectations for the contractor's performance of any resulting contract.
  - (b) If the utility intends to hold a pre-offer conference:
    - (A) The time, date and location of any pre-offer conference;
    - (B) Whether attendance at the conference will be mandatory or voluntary; and
    - (C) A provision that provides that statements made by the large natural gas utility's representatives at the conference are not binding upon the large natural gas utility unless confirmed by written addendum.
  - (c) The form and instructions for submission of bids and any other special information, including whether bids may be submitted by electronic means;
  - (d) How the large natural gas utility will notify bidders of addenda and how the large natural gas utility will make addenda available;
  - (e) Any minimum bidder requirements for credit and capability;
  - (f) The time, date and place of bid opening;
  - (g) Standard form contracts to be used in acquisition of resources;

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- (h) Language to allow bidders to negotiate mutually agreeable final contract terms that are different from the standard form contracts;
- (i) The anticipated solicitation schedule, deadlines, ~~protest process~~, and bid evaluation process;
- (j) Bid evaluation and scoring criteria;
- (k) A description of how the large natural gas utility will share information about bid scores, including what information about the bid scores and bid ranking may be provided to bidders and when and how it will be provided;
- ~~(l) If the large natural gas utility intends to award contracts to more than one bidder, the large natural gas utility must identify in the request for proposals how it will determine the number of contracts it will award;~~
- ~~(m) Indication of the alignment of the large natural gas utility's qualified investment to be addressed by the bidding process with:
  - ~~(A) A need for this RNG production volume to meet current or future annual RNG targets identified in the large natural gas utility's most recently acknowledged integrated resource plan; or~~
  - ~~(B) A subsequently identified need or change in circumstances with good cause shown.~~~~
- ~~(4) A large natural gas utility will prepare and file a draft request for proposals for the Commission's review and approval.~~
- ~~(5) The Commission will generally issue a decision approving or disapproving the draft request for proposals within sixty (60) days after the draft request for proposals is filed. A large natural gas utility may request an alternative review period when it files the draft RFP for approval, including a request for expedited review, upon a showing of good cause.~~
- ~~(6) Once the Commission approves the draft request for proposals, the large natural gas utility may proceed with the request for proposals by issuing public notice on the utility's website or through the utility's electronic procurement system, if the company regularly uses such a system, and may further advertise the notice using additional media. This public notice must be issued and be publicly available for not less than thirty (30) days prior to closing of the opportunity to submit sealed bids.~~
- ~~(7)~~(4) A large natural gas utility must provide the Commission with a copy of all bid documents submitted by all bidders upon the Commission's request.
- ~~(8)~~(5) A large natural gas utility is exempt from the requirements in sections (24) through (36) of this rule if:

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- (a) The large natural gas utility’s procurement process requires competitive bidding, the total project cost is not anticipated to exceed \$~~10-25~~ million, and the large natural gas utility can provide a copy of the request for proposals and all bid documents submitted by all bidders to the Commission upon the Commission’s request; or
- (b) All of the following apply:
  - (A) A large natural gas utility is not the developer, owner, or operator of the biogas production facility;
  - (B) The request for proposals or other invitation for competitive bids for the project is issued by an entity that ~~is~~ not the large natural gas utility;
  - (C) The large natural gas utility does not receive or ~~evaluate~~<sup>evaluate</sup> bids nor select a winning bid; and
  - (D) The large natural gas utility submits a bid in response to the request for proposals, ~~in competition with other entities~~, and the utility is awarded a contract only after all eligible bids are evaluated in accordance with the procedures of the entity that issued the request for proposals.

**Statutory/Other Authority: ORS 756 & 757**

**Statutes/Other Implemented: ORS 757.396**

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RULES PROPOSED:

860-150-0600 Renewable Natural Gas Compliance Reports

RULE SUMMARY: This rule is proposed to implement natural gas utility reporting requirements, pursuant to ORS 757.394.

TEXT OF RULE:

- (1) A large natural gas utility or a small natural gas utility that participates in the RNG program described in these rules must file an annual compliance report for each year that the utility participates in the program by making RNG purchases or qualified investments. Each compliance report will cover a calendar year, beginning January 1 through and including December 31. The first report is due on June 30 of the year following the first compliance year, and then annually on June 30 thereafter for as long as the utility continues to participate in the program.
- (2) Each annual compliance report must include but not be limited to:
  - (a) The total volume of RNG acquired during the compliance year by type or source, including the volume as a percentage of the gas utility's sales load delivered to retail natural gas customers;
  - (b) A detailed description of the natural gas utility's expenditures that year on RNG purchases and on qualified investments;
  - (c) A summary of all transactions that year involving RTCs purchased, acquired, sold, transferred, or retired to comply with these rules;
  - (d) A list of all RTCs that the utility owned and that expired during the compliance year before the utility was able to retire them. The list must be accompanied by information about the value and source of these expired RTCs as well as an explanation for why the utility was not able to retire them prior to expiration;
  - (e) The number of unused, unexpired RTCs in the natural gas utility's possession at the end of the compliance year, and the utility's plan to fully utilize these certificates;
  - (f) The range of carbon intensity values and the average intensity value associated with the RTCs retired that year;
  - (g) Detailed information about qualified investments made during the compliance year, including but not limited to:
    - (A) The name of the facility where the qualified investment was made;
    - (B) The location of the facility where the qualified investment was made, including the city/town, county, and state;

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- (C) The type of facility. For example, the facility type includes but is not limited to a livestock feeding operation, a wastewater treatment plant, a food waste processing facility, a renewable-electricity-to-hydrogen, facility, and so forth;
  - (D) The total quantity of RNG produced by or procured from that facility during the compliance year;
  - (E) The expected future annual quantity of RNG to be produced by or procured from that facility;
  - (F) The average RNG output of the facility expressed in standard cubic feet per minute;
  - (G) The disposition of RNG produced by the facility but delivered to non-retail natural gas-utility customers or to non-Oregon retail natural gas customers;
  - (H) The number and value of RTCs acquired along with the RNG produced by the facility;
  - (I) An estimate of the carbon intensity for RNG produced at the facility and using an appropriate pathway, pursuant to OAR 860-150-0050.
- (3) A large natural gas utility’s annual compliance report must also include a detailed explanation of why the utility achieved, or did not achieve, that year’s RNG target volume as specified in ORS 757.396, to include identifying challenges or barriers to RNG market growth.
- (4) A large natural gas utility must explain how annual RNG purchases and qualified investments made during the compliance year aligned with the actions described in the utility’s most recently acknowledged integrated resource plan.
- (5) A large natural gas utility’s annual compliance report must include the total annual incremental costs incurred during the compliance year, calculated as described in OAR 860-150-0200, and expressed as a percentage of the utility’s total revenue requirement from its most recent normalized results of operations report.
- (6) A small natural gas utility’s annual compliance report must include the total costs incurred during the compliance year for RNG purchases and qualified investments, expressed as a percentage of the utility’s total revenue requirement approved by the Commission in its most recent general rate revision.
- (7) A small natural gas utility’s annual compliance report must include the total volume of RNG acquired during the compliance year, as well as this volume expressed as a percentage of the total volume of gas delivered to customers that year.

**Statutory/Other Authority: ORS 756 & 757**

**Statutes/Other Implemented: ORS 757.394**