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RE: AR 632—Renewable Natural Gas Rulemaking—Draft Rules OAR 860-150

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), appreciates the opportunity to submit these comments in response to Public Utility Commission of Oregon (Commission) Staff’s draft rules provided at the February 20, 2020 workshop.

NW Natural provides the following considerations, organized by the draft rules provided as Oregon Administrative Rules (OAR) Chapter 860, Division 150. In addition, the Company provides proposed redline changes to the draft 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 original draft provided by Staff.

860-150-0005 Purpose, Scope, and Applicability

In 860-150-0005(3) of the draft rules, NW Natural proposes to change the term “retail utility customer” to “retail natural gas customer” to be consistent with ORS 757.396(1). Additionally, NW Natural proposes to remove the phrase “specifically to support production” so as not to preemptively limit applicability of this provision to only voluntary renewable natural gas (RNG) tariffs supporting the “production” of RNG.

860-150-0010 Definitions

Biomethane. NW Natural proposes redline changes to the draft rules to clarify that biomethane is methane gas derived from biogas that has been processed to meet pipeline quality standards or transportation fuel grade requirements. NW Natural notes that it may need to update its Oregon Tariff OR 25 to clarify the terms biogas and biomethane upon completion of the rules in this docket.

Renewable thermal certificate. NW Natural proposes to modify the second sentence in this definition to more clearly articulate that one renewable thermal certificate represents the environmental attributes associated with one dekatherm of renewable

natural gas. As explained below, NW Natural also removed a reference to M-RETS. In addition, the Company notes that 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.

860-150-0050 Environmental Attributes and Renewable Thermal Certificates

As NW Natural explained in its earlier comments, we strongly believe that the tracking requirements in these rules should be consistent with how RNG is tracked in other programs. Specifically, other programs, such as the California Low Carbon Fuel Standard (LCFS), the Oregon Clean Fuels Program, and the federal Renewable Fuel Standard, allow for the environmental attributes to be “unbundled” from the physical RNG. From the February 20 workshop, NW Natural understands that this was the intent of the draft rules, but this is a crucial point that should be made clear. To that end, NW Natural recommends clarifying that a dekatherm of RNG injected into “any common carrier pipeline” generates a renewable thermal certificate that can be used to meet the goals of Senate Bill 98 (SB 98). This language is consistent with the LCFS.¹ Also, NW Natural suggests deleting the phrase “eventual delivery” from the first subsection to further clarify that physical delivery of specific RNG molecules to customers is not necessary to comply with this rule.

Throughout this section and the entire proposed Division 150, NW Natural recommends that M-RETS should not be specified as the only renewable certificate tracking system that utilities and others must use to comply with these rules. Although M-RETS may eventually be the tracking system used for RNG compliance in the same way that the Western Renewable Energy Generation Information System (WREGIS) is the tracking system used for electric renewable portfolio standards (RPS) compliance, NW Natural believes it is premature to codify M-RETS within these rules without a proven operating record in Oregon. Other systems may emerge and/or utilities may find that other tools may have the capability of tracking, trading and retiring certificates. Importantly, there has been no discussion or investigation into the costs associated with using M-RETS. NW Natural suggests replacing language specifying M-RETS as the designated tracking system with the phrase “M-RETS or other Commission-approved system capable of tracking and trading renewable thermal certificates” or otherwise avoid mentioning a specific tracking system at all. Such an approach will provide more flexibility as more becomes known about what the tracking system will be, as well as situations where M-RETS or other tracking systems change names or are otherwise replaced.

NW Natural also proposes to remove Sections (9) and (10) of 860-150-0050 that require the natural gas utility obtain attestations from all “upstream” holders of a renewable thermal certificate and retain these for inspection by the Commission. This requirement appears to be unnecessarily burdensome on the natural gas utility if the utility is also required by rule to use a Commission-approved tracking system, such as M-RETS. It is

¹ California Air Resources Board, Reporting and Recordkeeping for Natural Gas and Book-and-Claim Accounting for Biomethane Guidance Document, https://ww3.arb.ca.gov/fuels/lcfs/guidance/lcfsguidance_19-05.pdf

NW Natural's understanding that 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 function should rest with one entity. In connection with this proposal, NW Natural proposes to remove the phrase "as well as the attestations described in Section (9)" from 860-150-0050(11).

860-150-0100 Renewable Natural Gas Resource Planning

Although NW Natural is generally not opposed to the requirements in this section, we believe that the majority of it is already covered in the Commission's Integrated Resource Plan (IRP) Guidelines in Orders Nos. 07-002, 07-047, 08-339.² To avoid any potential confusion from duplicative and overlapping requirements, NW Natural believes that this section can be simplified and perhaps eliminated.

For example, IRP Guideline 4 from Order No. 07-002 includes the following subparts:

- d. For natural gas utilities, a determination of the peaking, swing and base-load gas supply and associated transportation and storage expected for each year of the plan, given existing resources; and identification of gas supplies (peak, swing and base-load), transportation and storage needed to bridge the gap between expected loads and resources;
- e. Identification and estimated costs of all supply-side and demand-side resource options, taking into account anticipated advances in technology;
- g. Identification of key assumptions about the future (e.g., fuel prices and environmental compliance costs) and alternative scenarios considered;

These IRP Guideline 4 subparts appear to cover much of what proposed 860-150-0100 would require. For instance, 860-150-0100(1)(a) calls for:

The natural gas utility's expectations about the scale of the renewable natural gas market nationally, in the Pacific Northwest, and within Oregon, and the growth rate of that market;

However, as stated above, IRP Guideline 4(d) already requires a natural gas to identify gas supplies, and IRP Guideline 4(g) requires a utility to identify key assumptions about the future.

Similarly, 860-150-0100(1)(b), addressing technological developments relevant to RNG, is likely covered by IRP Guideline 4(e) above that addresses advances in technology. 860-150-0100(1)(c), which addresses potential impact of policy or regulatory changes on the RNG market to address carbon emissions, is also already covered by IRP Guideline 8 from Order No. 08-339, which addresses compliance costs associated with pollutants, including CO₂. Finally, information concerning the projected amounts of RNG purchased and information concerning in 860-150-0100(1)(d-e) is likely covered

² Other IRP orders, such as 12-013 which deals with Flexible Capacity and 18-290 which addresses Energy Storage are not applicable to RNG.

by IRP Guidelines 4(d-e) that requires utilities to identify supply-side options.

To avoid the risk of conflicting IRP requirements and to maintain flexibility to update these requirements, NW Natural recommends that IRP requirements regarding RNG resources remain in Commission guidelines instead of being codified by rule.

NW Natural notes that the cost-effective calculation used to evaluate RNG resources is a unique requirement that is likely not covered by other IRP guidelines.³ As such, NW Natural believes it is appropriate to include this in the draft rules and may fit better within the rules related to incremental costs.

860-150-0200 Incremental Costs

As originally drafted, the draft rule contained two cost buckets (qualified investments and third-party purchase costs) that may not be sufficiently broad to fully incorporate all potential costs the utility would seek to include in rates. For example, a single RNG resource may include certain costs that meet the definition of a qualified investment as well as costs that would not meet that definition (e.g. payments to a third party for volumes of raw biogas). NW Natural believes that all costs incurred to acquire RNG for our customers should be included in the incremental cost calculation, and has proposed redlines that ensures costs are not inadvertently omitted from that calculation.

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

As NW Natural stated in its earlier comments, ORS 757.396(2) 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. As written, however, the draft rules only allow a large natural gas utility to file a request that the Commission open an investigation into establishing an automatic adjustment clause for qualified investments. NW Natural does not believe that this reflects what ORS 757.396(2) contemplates, which provides that a utility “may” recover qualified investments through an automatic adjustment clause. Rather, this provision requires that an automatic adjustment clause be established in the rules to give utilities the ability to seek cost-recovery through a defined process. In addition, 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 860-15-0300(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, 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

³ OAR 860-150-0100(2)(b)

Commission.

In addition, NW Natural proposes 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. 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.

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

Competitive Bidding

NW Natural recommends that a large natural gas utility should be able to satisfy the competitive bidding requirements of ORS 757.396(4) by relying on its own internal procurement process for qualified investments that are under a certain dollar threshold, such as \$25 million and that are upstream of biogas cleaning and conditioning equipment, such as anaerobic digestors. Additionally, the draft rules should be streamlined to remove requiring Commission approval of requests for proposals (RFPs) and to simplify the information that NW Natural must provide to bidders and the Commission. Accordingly, NW Natural proposes to remove subsection (3) through (7) of 860-15-0400. This approach will ensure that the competitive bidding requirements are not an impediment to acquiring RNG resources and are commensurate with the type and costs of these sorts of qualified investments.

The proposed draft rules appear to heavily rely on the process that electric utilities must use for resource procurement.⁴ However, the requirements for electric utilities were not designed for the types of qualified investments expected for RNG project, which will be typically under \$10 million. Currently, the minimum size of electric resources that require competitive bidding are 80 megawatts or greater for a term of five years or more. Costs with these projects are much higher than RNG qualified investments—for example, 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).

NW Natural also has concerns with the timing requirements of the RFP process as proposed in the draft rules. The draft rules require a minimum of 90 days between filing of an RFP with the Commission, and receipt of responsive bids. This timeline could

⁴ OAR Chapter 860, Division 89.

easily increase to four months, given the opportunity for any party to request a 30-day delay in the review period. Again, due to the nature of the projects that will be considered qualified investments, NW Natural believes that utilities should be able use its own procedures and policies regarding procurement to satisfy the competitive bid requirements of SB 98.

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(2)(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(2)(c) through (g).

In summary, the draft rules are more appropriate for large resource acquisition and this approach is much more prescriptive than is necessary for the small, comparatively low-cost projects expected under the SB 98 program. As such, NW Natural recommends: (a) that large natural gas utilities be allowed to satisfy the competitive bidding requirements of SB 98 by relying on its own internal procurement process for the types of qualified investments subject to competitive bidding that are under \$25 million, and (b) streamline the draft rules, including removing the requirement for Commission approval of RFPs and simplifying the information that NW Natural must provide to bidders and the Commission.

Affiliates

As written in 860-150-0500(8) and associated subparts, it is unclear how a large natural gas utility can participate in an RFP issued by an unregulated affiliate. Read literally, the rules appear to require the natural gas utility to conduct an RFP that it is also bidding into. Moreover, an unregulated affiliate is, by definition, not regulated by the Commission. Therefore, the Commission cannot require such entities to hold their own RFPs. NW Natural believes that a better approach is to rely on current OARs that govern transactions between affiliates. A selection of these requirements includes:

- OAR 860-027-0040 Applications for Approval of Transactions Between Affiliated Interests,
- 860-027-0100 Reporting of Affiliated Transactions,
- 860-036-2200 Affiliated Interest Definitions,
- 860-036-2210 Applications to Receive or Provide Goods or Services with an Affiliated Interest and,
- 860-036-2360 Annual Affiliated Interest Report

Given that current OARs govern affiliate requirements, NW Natural believes the phrase "or an affiliated entity of the large natural gas utility" should be removed from 860-150-0500(8)(a-b).

860-150-500(8)(c)

There is a potential ambiguity in this section, which reads:

The large natural gas utility submits a bid in response to the invitation to bid, **in competition with other entities not affiliated with the utility**, and the utility is not awarded a contract until 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 proposes to add to 860-150-0600(2)(a) the reporting of the total volume of RNG as a percentage of the gas utility's total sales volumes delivered to retail customers to clearly indicate the utility's progress in meeting the SB 98 compliance targets.

NW Natural proposes a clarification in 860-150-0600(5) that the normalized revenue requirement from the results of operations will be provided in the compliance report. We believe this is consistent with the discussion at the February 20 workshop.

In addition to a few minor wording changes, NW Natural proposes to remove the requirement in subsection (f) from the annual compliance report that requires the natural gas utility to provide a list of the unique identifying numbers of each renewable thermal certificate retired that year to comply with the rules. While this list would be available upon request (and likely available in M-RETS), the list will be comprised of thousands of lines of data. Given that subsection (c) requests a summary of the same information, NW Natural proposes to rely on the summary data in the compliance report, and in the event that further information is requested, NW Natural can provide that.

860-150-0700 Renewable Natural Gas Quality Standards

NW Natural recommends deleting the first subsection. It is unclear what standards the draft rules are referencing or whether they are appropriate to include in these rules. To the extent that such standards already exist, they should stand on their own and not be referenced here.

NW Natural also provided redlines to the second and third subsections to clarify that a natural gas utility is only responsible for the RNG that is injected into its own pipelines. As mentioned above, NW Natural notes that changes to its Oregon Tariff OR 25 may

need to be updated upon completion of the rules in this docket to add standards and/or specifications for hydrogen.

860-150-0800 Renewable Natural Gas Pipeline Connection, Inspection, and Safety Standards

Similar to 860-150-0700, NW Natural made edits to clarify that a natural gas utility is only responsible for following the connection, inspection, and safety standards for its own pipelines, not the pipelines of other utilities or third parties.

Other Comments

Compatibility with voluntary programs

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.

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

**OAR Chapter 860 – Public Utility Commission
Division 150 – Renewable Natural Gas**

860-150-0005 Purpose, Scope, and Applicability

- (1) The purpose of this Division is to ~~implement~~ 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 small and large 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 utility~~ retail natural gas customer may elect to pay a special rate specifically to support production of a ~~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

860-150-0010 Definitions

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) "Biomethane" ~~has the same meaning as "biogas," which has the meaning given in ORS 757.392~~ means biogas that has been processed to meet pipeline quality standards or transportation fuel grade requirements.
- (3) "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. 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 or 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.
- (4) "General rate revision" has the meaning given that term in OAR 860-022-0017.
- (5) "Large natural gas utility" has the meaning given that term in ORS 757.392.
- (6) "M-RETS" means the regional renewable energy certificate system and trading mechanism known as the Midwest Renewable Energy Tracking System, Inc.
- (7) "Natural gas utility" has the meaning given that term in ORS 757.392.
- (8) "Non-utility operator" means an entity that:

- (a) Is not a large natural gas utility or a small natural gas utility; and
 - (b) Owns or operates a natural gas cleaning or conditioning facility, a natural gas storage facility, or a natural gas pipeline or transportation facility in compliance with U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration regulations under 49 CFR Parts 100-185.
- (9) “Qualified investment” has the meaning given that term in ORS 757.392.
- (10) “Renewable natural gas” has the meaning given that term in ORS 757.392.
- (11) “Renewable thermal certificate” means a unique representation of the environmental attributes associated with the production of renewable natural gas. ~~A renewable natural gas production facility may generate one renewable thermal certificate, which M-RETS may issue and track, is created in association~~ with the production of one dekatherm of renewable natural gas.
- (12) “Small natural gas utility” has the meaning given that term in ORS 757.392.
- (13) “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.

Statutory/Other Authority: ORS 183, 756 & 757

Statutes/Other Implemented: ORS 756.040, 757.020 & 757.394

860-150-0050 Environmental Attributes and Renewable Thermal Certificates

- (1) Each large natural gas utility and each small natural gas utility authorized by the Commission to participate in the renewable natural gas program under these rules shall use renewable thermal certificates to track the chain of custody of the environmental attributes of renewable natural gas produced or purchased for ~~eventual delivery to~~ its retail ~~utility-natural gas~~ customers in Oregon.
- (2) Renewable thermal certificates used for compliance with Section (1) must be issued, monitored, accounted for and transferred by or through M-RETS ~~or other Commission-approved system capable of tracking and trading renewable thermal certificates~~.
- (3) All entities that issue, acquire, account for, or transfer renewable thermal certificates for use by a utility under Section (1) of this rule must ~~either~~ register and maintain accounts in good standing with the M-RETS renewable energy certificate system ~~or other Commission-approved system capable of tracking and trading renewable thermal certificates~~. A natural gas utility may not use renewable thermal certificates under Section (1) 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 ~~or other Commission-approved system capable of tracking and trading renewable thermal certificates~~, including payment of costs required for compliance. Each entity must establish an ~~M-RETS account or other Commission-approved system capable of tracking and trading renewable thermal certificates~~ pursuant to the Subsection before ~~it~~ may generate, transfer, acquire, or retire a renewable thermal certificate.
- ~~(3)~~(4) Entities that must register and maintain ~~M-RETS~~ accounts in good standing ~~or use another Commission-approved system capable of tracking and trading renewable thermal certificates~~ in accordance with Subsection (3) of these rules include, but are not limited to:
 - (a) A facility that produces renewable natural gas and generates renewable thermal certificates to participate in the renewable natural gas program described in this Division;
 - (b) A large natural gas utility or a small natural gas utility ~~that wishes to participate~~ ~~participating~~ in the renewable natural gas program described in this Division;
 - (c) A non-utility operator that purchases or receives renewable natural gas and the associated renewable thermal certificates as described in this Division; and
 - (d) A broker, dealer, or other entity that purchases, sells, arranges, or transfers renewable thermal certificates as described in this Division.

- ~~(4)~~(5) Each large natural gas utility and each small natural gas utility authorized by the Commission to participate in the renewable natural gas program must provide supporting documentation, upon request, for each renewable thermal certificate demonstrating that one dekatherm of renewable natural gas that was associated with the renewable thermal certificate was delivered to:
- (a) An injection point on the natural gas utility's system; or
 - (b) A delivery point designated [on a common carrier pipeline](#).
 - (c) ~~To another~~ A delivery point designated by the natural gas utility for the purpose of subsequent delivery to that utility.
- ~~(5)~~(6) A large natural gas utility must retire one renewable thermal certificate [in the M-RETS system](#) for each dekatherm of renewable natural gas counted towards the large natural gas utility annual targets established in ORS 757.396.
- ~~(6)~~(7) A small natural gas utility participating in the renewable natural gas program described in these rules must retire one renewable thermal certificate [in the M-RETS system](#) for each dekatherm of renewable natural gas counted towards the quantity of renewable natural gas the utility specified in its filing with the Commission pursuant to OAR 860-150-0400.
- ~~(7)~~(8) ~~Once retired, a~~ A renewable thermal certificate may not be sold, transferred, or claimed again by a natural gas utility or any other entity [after the renewable thermal certificate is retired](#). ~~If subsequent use is made of a retired renewable thermal certificate, that certificate may not be applied to a natural gas utility's target under Sections (6) or (7).~~
- ~~(8)~~ A large natural gas utility or a small natural gas utility participating in the renewable natural gas program described in this Division shall obtain attestations from the renewable thermal certificate generator and from each other entity that purchased, received, or otherwise acquired custody of each renewable thermal certificate prior to the natural gas utility collectively demonstrating that:
- ~~(a) The entity claiming the environmental attributes represented by each renewable thermal certificate has the exclusive right to claim environmental attributes associated with the production, sale, or use of the renewable natural gas; and~~
 - ~~(b) The environmental attributes have not been used or claimed in any other program or jurisdiction.~~
- ~~(9)~~ Each large natural gas utility and small natural gas utility participating in the renewable natural gas program shall retain the attestations described in Section (9) and make them available to the Commission upon request.
- (9) Each large natural gas utility and small natural gas utility participating in the renewable natural gas program described in this Division shall maintain records of each renewable thermal certificate retired under the renewable natural gas program, ~~as well as the attestations described in Section (9),~~ for a minimum of five (5) years after the date on which the renewable thermal certificate was retired.
- ~~(10)~~
- ~~(11)~~(10) The ~~attestation requirements~~ described in Subsections ~~(910)~~ and 12 of these rules may be [met made, stored, and transferred electronically](#) through [the M-RETS or other Commission-approved tracking](#) system or through another means specified by the Commission.
- ~~(12)~~(11) For a large natural gas utility, renewable thermal certificates generated during the target year, the preceding year or the subsequent year may be used to comply with the annual renewable natural gas targets established in ORS 757.396. For a small natural gas utility, renewable thermal certificates may be used during the year in which they are generated or during the subsequent year.
- ~~(13)~~(12) An unused renewable thermal certificate 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 renewable thermal certificate was generated. A natural gas utility may not use an expired renewable thermal certificate to comply with the rules of this Division.

Statutory/Other Authority: ORS 183, 756 & 757

Statutes/Other Implemented: ORS 757.394

860-150-0100 Renewable Natural Gas Resource Planning

- (1) Each large natural gas utility and small natural gas utility must, as part of each of its integrated resource plans filed after August 1, 2020, include information related to renewable natural gas as described in this rule. This information must include but is not limited to the following:
 - (a) The natural gas utility's expectations about the scale of the renewable natural gas market nationally, in the Pacific Northwest, and within Oregon, and the growth rate of that market;
 - (b) Any notable technological developments relevant to renewable natural gas, or the cost trajectory associated with those technologies, which the natural gas utility expects to influence the renewable natural gas market;
 - (c) The natural gas utility's expectations about how anticipated policy or regulatory changes to address carbon emissions might affect the renewable natural gas market;
 - (d) The volume of renewable natural gas that the utility expects to procure during the period of the integrated resource plan's action plan; and
 - (e) Information that is reasonably known to the natural gas utility at the time of filing regarding the number, character, type, and estimate cost of qualified investments in renewable natural gas infrastructure that the utility plans to make during the period of the integrated resource plan's action plan.
- (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 renewable natural gas 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 renewable natural gas resources, pursuant to OAR 860-150-0200.
- (3) In addition to the information required under Section (1), a small natural gas utility must also include in each 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 renewable natural gas program described in these rules, if the utility has not already participated;
 - (b) Information about opportunities, challenges, perceived barriers and the natural gas utility's strategy for participation in the renewable natural gas program described in these rules; and
 - (c) The cost effectiveness calculation that the utility will use, pursuant to OAR 860-150-0200, to evaluate renewable natural gas resources, if the utility has not already filed one 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.

Statutory/Other Authority: ORS 183, 756.040 & 757.262

Statutes/Other Implemented: ORS 756.040 & 757.262

860-150-0200 Incremental Costs

- (1) For the purposes of ORS 757.396, a large natural gas utility's total incremental annual cost shall be calculated as follows:
 - (a) The [large natural gas](#) utility shall apply a cost-effectiveness calculation [for all renewable natural gas that it acquires for its retail utility customers. to each qualified investment in renewable natural gas infrastructure that the utility places in service during a calendar year using a methodology 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;~~

- ~~(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 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.~~
 - ~~(a)(c) Incremental cost estimates for RNG must include all costs that the large natural gas utility reasonably expects to 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) For each purchase of renewable natural gas from a third party that is not 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 renewable natural gas and a cost-effective purchase of a comparable quantity of fossil gas represents the incremental cost of that purchased renewable natural gas. During each year, the levelized incremental costs of all each renewable natural gas purchases resource will be summed to calculate their contribution toward the utility's total annual incremental cost a total annual incremental levelized cost;~~
 - ~~(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;~~
 - ~~(d) During each year, the levelized incremental cost of each qualified investment described in Paragraph (1)(b) shall be summed to calculate a gross total annual incremental levelized cost; and~~
 - ~~(e) To calculate a net total annual incremental levelized cost, a large natural gas utility shall 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 renewable natural gas to an entity other than a retail utility customer, including any associated renewable thermal certificates.~~
- (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 the rules in this Chapter.
 - (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 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 files notice with the Commission 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 renewable natural gas 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 qualified investments made in that year as of the date of the filing, and identifies the qualified investments that it intends to make before the end of the year and the anticipated costs associated with those additional investments;

- (d) In its filing, the large natural gas utility requests the Commission's approval to continue making qualified investments during that year; and
- (e) The Commission approves the utility's request to continue making qualified investments during that year.

Statutory/Other Authority: ORS 756 & 757

Statutes/Other Implemented: ORS 757.396

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

- (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 renewable natural gas, excluding qualified investments, by means of its purchased gas adjustment mechanism. Such costs may also include the utility's cost of registration for the renewable thermal certificate tracking system described in OAR 860-150-0050, transaction costs for any renewable thermal certificates acquired in association with the purchase of renewable natural gas from another entity, and transaction costs incurred to retire the renewable thermal certificates associated with gas delivered to retail utility customers.
- ~~(2) In filings, annual earnings reviews, and quarterly updates associated with the purchased gas adjustment mechanism, a large natural gas utility shall clearly identify costs of purchased renewable natural gas and the costs associated with renewable thermal certificates described in section (1) of this rule.~~
- ~~(3)(2)~~ (2) A large natural gas utility filing new or revised tariff schedules that constitute a general rate revision may seek to include 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.
 - 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.
 - ~~a.g. 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.~~

Statutory/Other Authority: ORS 756 & 757

Statutes/Other Implemented: ORS 757.394 & 757.396

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

- (1) Before a small natural gas utility makes a qualified investment for the first time or purchases renewable natural gas from a third-party producer with the intent to seek cost recovery in a new or

revised tariff schedule, the utility must include a petition to participate in the renewable natural gas program with a filing for a general rate revision 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 renewable natural gas 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 customers in Oregon;
 - (b) Identification of any qualified investments the small natural gas utility expects to make during the period concluding at the end of the last month of the test year used in the general rate revision filing, including the expected costs and timing of those investments, and the annual quantity of renewable natural gas each investment will contribute to;
 - (c) The expected value of any renewable thermal certificates credits to be acquired by the utility during the period concluding at the end of the last month of the test year used in the general rate revision filing,
 - (d) The expected value of any renewable natural gas the small natural gas utility intends to sell to a party that is not a retail utility customer, including the value of any environmental credits the utility may acquire from the renewable natural gas producer and resell;
 - (e) Any expected savings to be achieved through the avoidance of fossil-natural gas costs, to be calculated in the manner described in OAR 860-150-0200 (3);
 - (f) The costs of the identified annual renewable natural gas procurements and the levelized costs of 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;
 - (g) An assessment by the utility of the relative cost effectiveness of the 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 shall 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 renewable natural gas purchases and qualified investments.
- (2) The small natural gas utility may not make renewable natural gas 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) If the small natural gas utility wishes to revise its petition to participate in the renewable natural gas program at any time, renew it after the end of the time period specified in the petition, make additional renewable natural gas 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 renewable natural gas program with its next request for a general rate revision with the Commission that contains the information required under section (1).
 - (4) The small natural gas utility may, as part of its petition to participate filed with a general rate revision, described in this rule, include a request to pass through prudently incurred costs associated with the purchase of renewable natural gas from another entity, excluding qualified investments, by means of its purchased gas adjustment mechanism. Such costs may include the utility's cost of registration for the renewable thermal certificate tracking system described in OAR 860-150-0050, transaction costs for any renewable thermal certificates acquired in association with the purchase of renewable natural gas from another entity, and transaction costs incurred to retire the renewable thermal certificates associated with gas delivered to retail utility customers.

- (5) In filings, annual earnings reviews, and quarterly updates associated with the purchased gas adjustment mechanism, a small natural gas utility shall clearly identify costs associated with the purchase of renewable natural gas and costs of compliance described in section (5) of this rule.
- (6) If the Commission has accepted a small natural gas utility's petition to participate in the renewable natural gas program, the small natural gas utility may file a request that the Commission open an 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

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

- (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) The large natural gas utility must issue ~~an invitation to bid~~ [a request for proposal](#) to initiate a competitive sealed bidding solicitation that contains the information required by section (3) of this rule. The large natural gas utility shall provide public notice of the competitive sealed bidding solicitation as set forth in section (8) of this rule.
- (3) At a minimum, the utility's invitation to bid must include:
 - (a) A description of the acquisition, 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;
 - (B) Outline the anticipated duties of the contractor under any resulting contract;
 - (C) Establish the expectations for the contractor's performance of any resulting contract; and
 - (D) 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) Notice of any pre-offer conference as follows:
 - (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;
 - (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 shall identify in the invitation to bid document the manner in which it will determine the number of contracts it will award;

~~(m) Bid evaluation and scoring criteria for selection of the initial shortlist of bidders and for selection of the final shortlist of bidders;~~

~~(n)~~(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 renewable natural gas production volume to meet current or future annual renewable natural gas 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 invitation to bid for the Commission's review and approval.~~

~~(5) The Commission may approve the draft invitation to bid with any conditions it deems necessary, upon a finding that the large natural gas utility has complied with the provisions of these rules and that the draft invitation to bid will result in a fair and competitive bidding process.~~

~~(6) The Commission will generally issue a decision approving or disapproving the draft invitation to bid within sixty (60) days after the draft invitation to bid 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. Any person may request an extension of the review period of up to thirty (30) days upon a showing of good cause.~~

~~(7) Once the Commission approves the draft invitation to bid, the large natural gas utility may proceed with the invitation to bid 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 shall be issued and be publicly available for not less than thirty (30) days prior to closing of the opportunity to submit sealed bids.~~

~~(8)~~(4) A large natural gas utility is exempt from the requirements in Subsections (1) through (39) of this Section if:

~~(e)~~(n) The developer, owner, or operator of the biogas production facility is not a large natural gas utility ~~or an affiliated entity of that large natural gas utility;~~

~~(f)~~(o) The invitation for competitive bids is issued by and the process for receipt, evaluation, and selection of bids and award of a contract is conducted by an entity that is not a large natural gas utility ~~or an affiliated entity of that large natural gas utility;~~ and

(p) The large natural gas utility submits a bid in response to the invitation to bid, ~~in competition with other entities not affiliated with the utility,~~ and the utility is not awarded a contract until after all eligible bids are evaluated in accordance with the procedures of the entity that issued the invitation to bid.

(q) The large natural gas utility's procurement process requires competitive bidding, and the total project cost is anticipated to be at or under \$25 million.

Statutory/Other Authority: ORS 756 & 757

Statutes/Other Implemented: ORS 757.396

860-150-600 Renewable Natural Gas Compliance Reports

- (1) A large natural gas utility or a small natural gas utility that participates in the renewable natural gas program described in these rules shall file an annual compliance report for each year that the utility participates in the program by making renewable natural gas 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 shall include but not be limited to:
 - (a) ~~A summary of~~ the total volume of renewable natural gas 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 customers;
 - (b) A ~~detailed summary and explanation~~ description of the natural gas utility's expenditures that year on renewable natural gas purchases and on qualified investments;
 - (c) A ~~detailed~~ summary of all transactions that year involving renewable thermal certificates purchased, acquired, sold, transferred, or retired to comply with these rules;
 - (d) A list of all renewable thermal certificates that the utility owned and that expired during the compliance year before the utility was able to retire them. The list shall be accompanied by information about the value and source of these expired renewable thermal certificates as well as an explanation for why the utility was not able to retire them prior to expiration;
 - (e) The number of unused, unexpired renewable thermal certificates 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)~~ A list of the unique identifying numbers of each renewable thermal certificate retired that year to comply with these rules;
 - ~~(g)~~ (f) 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;
 - (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 renewable natural gas produced by or procured from that facility during the compliance year;
 - (E) The expected future annual quantity of renewable natural gas to be produced by or procured from that facility;
 - (F) The average renewable natural gas output of the facility expressed in standard cubic feet per minute;
 - (G) The disposition of renewable natural gas produced by the facility but delivered to non-retail utility customers or to non-Oregon customers;
 - (H) The number and value of renewable thermal certificates acquired along with the renewable natural gas produced by the facility;
 - (I) An estimate of the total carbon intensity, relative to a comparable volume of fossil natural gas, for renewable natural gas produced at the facility, upgraded to pipeline standards, and delivered to a retail utility customer in Oregon.
- (3) A large natural gas utility's annual compliance report shall include a detailed explanation of why the utility was or was not able to achieve the renewable natural gas target volume for that year as specified in ORS 757.396, to include identifying challenges or barriers to renewable natural gas market growth.
- (4) A large natural gas utility shall explain how annual renewable natural gas 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 shall 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 shall include the total costs incurred during the compliance year for renewable natural gas purchases and qualified investments, expressed as a percentage of the utility's total revenue requirement from its most recent general rate case.
- (7) A small natural gas utility's annual compliance report shall include the total volume of renewable natural gas 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

860-150-0700 Renewable Natural Gas Quality Standards

~~(1) Large natural gas utilities and small natural gas utilities must ensure that all renewable natural gas supplied to their respective customers meets the purity of gas, heating value, and other standards established by the Commission.~~

~~(2)~~(1) ~~A large and small~~ natural gas utility~~s~~ must ensure that all renewable natural gas that is primarily methane and that is injected into itsa natural gas utility pipeline meets the quality standards for ~~biogas or~~biomethane set forth in the utility's applicable and most current tariff in effect in Oregon.

~~(3)~~(2) ~~A large~~ natural gas utility~~s~~ ~~and small natural gas utilities~~ must ensure that all renewable natural gas that is primarily hydrogen and that is injected into ~~the respective utility's~~its natural gas utility pipeline meets the quality standards for hydrogen set forth in ~~its~~the applicable and most current tariff in effect in Oregon ~~for the natural gas utility that owns or controls the pipeline at the point of injection~~.

Statutory/Other Authority: ORS 183, 756 & 757

Statutes/Other Implemented: ORS 756.040, 757.020 & 757.394

860-150-0800 Renewable Natural Gas Pipeline Connection, Inspection, and Safety Standards

~~Large natural gas utilities and small natural gas utilities~~A natural gas utility must ensure that ~~all~~ renewable natural gas production facilities ~~in Oregon~~ that inject renewable natural gas into ~~that~~a natural gas utility's pipeline in Oregon or that operate a gas pipeline in a public right of way comply with all applicable provisions in OAR 860-024-0020, 860-024-0021, 860-024-0050, 860-031-0001 through 860-031-0040, and any additional inspection requirements or safety standards as specified by the Commission in an order directed to the utility.

Statutory/Other Authority: ORS 183, 756 & 757

Statutes/Other Implemented: ORS 756.040 & 757.039