REGENIS
AN ANDGAR COMPANY

February 5, 2016

Washington Utilities and Transportation Commission (UTC)
1300 S. Evergreen Park Dr. SW,
Olympia, WA 98504-7250

RE: PSE Proposed Tariff for Bio-methane Injection into Shared Pipelines; Docket UG-152164

Dear Chairman Danner and Commission Members:

This comment is in regard to some concerns we as a company have regarding Puget Sound Energy's (PSE) proposed new tariff for injection of renewable natural gas (RNG, bio-methane or upgraded biogas) into pipelines—UTC Docket 152164.

Regenis, a Washington State company located in Ferndale, is a leader in on-farm anaerobic digestion and manure management, having constructed 13 projects on farms across Washington, Idaho, Oregon and California. Regenis takes great pride in these installations, not only for their production of renewable energy, either in the form of electricity or RNG, but in the multiple air, water, soil and climate benefits that these projects provide to both the environment and the agricultural community. We would of course like to build more digesters and make more of an impact on farm economics, as well as national needs for increased renewable energy production, however on-farm project economics are tight, particularly for electricity projects given the current low received pricing for generated electricity. Therefore, of keen interest to us is development of projects that upgrade the biogas to RNG for injection into pipelines and receipt of federal (RIN) and state credits (LCFS) generated by use of RNG as a transportation fuel. When combined, these credits can effectively swing project economics towards financial viability. Hence our interest in the proposed PSE tariff.

Our industry's trade organization, the American Biogas Council (ABC), has worked diligently with companies and stakeholders such as Regenis to develop a recommended set of RNG purity standards. Based upon the best existing injection standards from across US and Canada, these recommendations will effectively protect human health and pipeline integrity while not overly burdening RNG projects already facing with tight project economics.

When compared with the proposed PSE tariff injection requirement, taken in large part from California standards known to inhibit RNG project development, it is clear PSE has chosen injection requirements that will make compliance by RNG projects quite difficult due to costly testing/monitoring requirements and processing equipment. This is extremely concerning to us, as a goal of PSE, the UTC, Washington State and the nation should be to open up infrastructure such as pipelines to renewable energy/fuel development. It is our future, and accommodations not barriers, should be put in place for such renewable energy/fuel development.

Of course human health and pipeline integrity must be maintained but Regenis and ABC assert that existing injection standards used elsewhere across US and Canada, as well as a wealth of practical and scientific experience, show less onerous and worst-case scenario implementation of injection specifications are possible while maintaining these health and pipeline goals. Put

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another way, do not snub or put unfair burden on renewable energy project development through implementation of a California-like standard that is known to not be viable and instead work with ABC and other RNG interests to modify the proposed tariff amendment.

The differences between ABC's proposal and the California-like PSE tariff are not huge. In particular, Regenis suggests the following modifications: 1) reduce minimum heating value from 985 (PSE) to 960 (ABC), 2) increased oxygen content from 0.2% (PSE) to 0.4% (ABC), 3) increase total inert content from 3% (PSE) to 5% (ABC), and 4) increased siloxane content from .01 (PSE) to 1 (ABC). The gaps between these values are not large, and given the scale of most RNG projects injection is only a small percentage of overall pipeline flow. Therefore dilution should make adjustment of these values to less onerous specifications quite acceptable. In sum, PSE appears to be proposing a worst case scenario standard that can be adapted on a project-by-project basis, whereas we propose less stringent standards more indicative of the majority of project applications that can be adjusted upwards in the rare cases where dilution is not present.

Two other topics are of interest to Regenis. First, the proposed testing and reporting regimen will be quite costly to implement for farm-based projects not supported by municipal resources. Therefore, we interested parties be given time to work with PSE on ways testing and reporting protocols might be adapted for both cost savings and continued maintenance of health and pipe integrity. The second issue is our belief that any environmental credits associated with the biogas (RINs, LCFS, RECs, carbon credits) are owned by the producer of the biogas, and as such any purchase or agreement in regard to those credits should be at the behest of the producer, not the utility. The proposed UTC tariff should focus on pipeline specifications and testing, not on proscribed ownership of environmental credits by the utility. This cannot be overstated. While a utility might request a portion of environmental credits, they should not be allowed to demand ownership of those credits merely by supplying a transport mechanism. Purchase or sharing of credits should be on a project-by-project basis at the sole initiative of the biogas producer.

In summary, PSE has proposed a tariff which, given its likeness to California regulations, is a known killer of renewable energy projects. Washington State needs to embrace the future and open infrastructure to renewable energy projects. This should never be at the expense to human health and pipeline integrity, but it is our belief any proposed modifications to the tariff which would assist project developers are in-line with existing US and Canadian pipeline specifications, especially since substantial dilution in the vast majority of cases. We also believe testing and reporting schedules should be modified to address potentially burdensome costs to the project developer. Lastly, environmental credits in any form should be owned and used at the discretion of the biogas producer.

While we are optimistic for agreement and desire to work with PSE and the UTC to modify some aspects of the tariff to accomplish all parties goals and desires, at this time we must request that the UTC deny this proposed tariff amendment so improvements can be made that more adequately protect renewable energy projects and the interest of the state and all parties.

Sincerely,
Craig Frear
Director of Research and Technology

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