

October 24, 2019

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Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Docket No. U-190818 – Comments of Northwest Gas Association

Dear Mr. Johnson,

The Northwest Gas Association (NWGA) submits the following comments on behalf of NWGA's Washington State LDC members. This includes Avista Utilities, Cascade Natural Gas, NW Natural, and Puget Sound Energy. These comments represent our collective input as of this date, and they do not preclude the individual utilities from adding supplemental comments.

RNG Program Structures

Q1. General program structures.

The NWGA believes that the best way to proceed is through general workshops to discuss the program structure related to both section 13 and 14. After a series of workshops, guidance would be best provided through an interpretive policy statement as opposed to a rule. We envision that each individual utility will offer its own programs tailored to the needs and requirements of their unique customers, while still fitting within the general parameters outlined in the policy statement.

We are making good faith efforts to tackle the challenges associated with proposing and implementing RNG program offering(s), and we are optimistic that our efforts will hasten the development of Washington's RNG market.

The four LDCs are discussing the various methodologies and procedures for the recognition, recording, transferring and retiring of the appropriate environmental attributes related to RNG. We intend to reach consensus on this topic in the interest of avoiding a lengthy process. We have had discussions with utilities in other west-coast states that may be a little ahead of Washington in this regard. We believe there is a potential for a uniform standard across Washington and the west. There may also emerge the possibility of a common attribute tracking platform that could be accessed by all market participants. We will keep the WUTC apprised of further development as these regional discussions continue to unfold.

We know it will take time to come up with parameters of these programs. Once the cost recovery program is set, it could take up to two years to get a program online for some utilities.

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Q2. For Section 14 programs, should subscribers be required to pay all costs of RNG, or should any under-collection of section 14 costs be credited toward the RNG program charge authorized by Section 13?

The current RNG market is early in development. This program offers the utilities and Washington State an opportunity to foster a more mature RNG market that would result in lowering costs and would realize significant environmental uplift associated with the beneficial use of traditional waste streams.

The newness of the RNG market means that prices are hard to predict and the market itself is “chunky” and not as liquid as the market for conventional natural gas. In order to encourage the long-term benefits of RNG, the utilities must be able to offer customers access to RNG at a price that incents widespread participation. This means that the initial program must be flexible and allow any surplus RNG from resources acquired to support section 14 voluntary programs to be included in a section 13 program, since it will be difficult to perfectly match supply to the varying interest of customers opting into the section 14 program.

All costs associated with development, including the costs of enhancing utility infrastructure necessary to facilitate RNG programs, should fall under section 13. Infrastructure costs should be recoverable from all customers if all customers are given the opportunity to participate in the benefits of the lower carbon footprint of RNG. To the extent that the utility owns a portion of a project, a portion of the interconnection, or contracts for the rights to purchase a portion of the RNG produced by a project, any of those costs should also be eligible for section 13 recovery.

Surplus RNG commodity volumes of Section 14 programs may be recovered through existing PGA surcharge/credit mechanism as a Section 13 program, provided inclusion in the regular PGA does not violate the 5% rule. Additionally, utilities that wish to provide all customers with additional RNG resources under section 13 may also secure additional resources as long as the additional cost does not also violate the 5% rule.

Q3. What methods should the Commission consider to calculate the 5 percent limit on customer charges for RNG programs authorized in Section 13?

The total annual cost of RNG programs net of revenue generated from the section 14 customer programs must not exceed 5% of each LDC’s total approved revenue requirement, including return on investment and PGA gas costs. The total revenue requirement includes the total approved base revenue requirement approved by the Commission in a utility’s last general rate case, the revenue associated with customer-related special contracts, and revenue associated with other natural gas utility tariffs. Once an individual RNG source is included pursuant to a long-term contract, it remains in the portfolio and becomes part of the total revenue requirement.

Q4. How should renewable hydrogen be treated in RNG programs?

Renewable hydrogen should be given equal consideration to other RNG fuel sources.

RNG Supply and Markets

Q5. What barriers are there, if any, to accessing and investing in the RNG market, and how can the Commission or regulated utilities address such barriers?

As with many emerging technologies, RNG's primary barrier is an economic access barrier. We are confident that costs will decline as the market matures, as has been seen in other renewable energy markets. Currently, projects are dependent on the lucrative transportation credit markets in California and Oregon, which is a more volatile, but often high-value market that does not often provide the long-term fixed-price contracts that are necessary to achieve financing for project development.

The establishment of a robust RNG program in Washington could significantly accelerate the market by providing a pool of the longer-term contracts and investments needed to get these projects off the ground.

Q6. Is there an adequate supply of RNG in the current market? Please describe the current market for RNG supply both in and outside Washington state.

While the RNG market is in its infancy today, this program has the potential to accelerate the development of the market and provide access to low carbon intensity gas. As with other renewable energy technologies, in order to accelerate the RNG market, costs likely would need to come down as a result of technological advancement and standardization that would help the natural gas system to continue to serve as a source of carbon reduction and renewable supply in the State of Washington, and across the country.

Q7. What is the range of price premiums for RNG and how it compares to prices for conventional natural gas in the current market?

The cost disparity between RNG and traditional natural gas is significant today. That cost delta is dependent upon a host of technical considerations unique to each RNG production site, not the least of which is the economies of scale. As stated, the maturation of the market will lead to reducing costs and access to new RNG sources throughout the state over time.

RNG Quality Standards

Q8. What gas quality standards do companies currently require for interconnection of RNG to their distribution system?

Each utility is currently responsible for setting its own RNG pipeline injection standards. All the LDCs have selected gas quality standards very close to those embodied in Southern California Gas Co.'s Tariff Rule 30 (the so-called California standard). The California standard is supported by extensive scientific research and is generally chosen as a defense to liability should the LDC's system or customers be harmed.

Q9. Should the Commission consider adopting uniform standards or provide general guidance for RNG quality? If so, what standards or guidance should the Commission adopt?

The utilities are beginning the process of developing a statewide pipeline injection standard to recommend to the UTC. The process aims to develop a set of minimum standards that meet the goal of ensuring the safety of the system and customers, while providing clear and attainable standards for project developers. The four LDCs are also working with Northwest Pipeline to ensure that their standard is consistent with those utilized by the utilities.

This process is in the initial steps, and the NWGA will submit the results of this process to the WUTC by mid-2020. It is the intent of the LDCs to recommend that the WUTC adopt the recommended standard as mandatory. The recommended standard could be signaled through a policy statement and then later adopted through rulemaking, if desired.

Thank you for the opportunity to comment, and please reach out with any questions.

Dan Kirschner

A handwritten signature in blue ink that reads "Dan Kirschner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Executive Director
NW Gas Association