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Utilities and Transportation Commission  
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**Re: 3Degrees Response to Questions for Considerations in Investigation into Renewable Natural Gas Programmatic Design and Pipeline Safety Standards, Docket U-190818**

3Degrees Inc. (“3Degrees”) appreciates this opportunity to provide written feedback to the Utilities and Transportation Commission (“Commission”) on the questions for consideration in Docket U-190818 in advance of the October 29, 2019 workshop. We applaud the research that has been undertaken over the past several years in relation to developing renewable natural gas (RNG) resources for use in Washington. In advance of the October 29th workshop, 3Degrees has provided written comments in response to a subset of the questions for consideration (Question 1 and Question 2). We look forward to continuing to engage with the Commission and other stakeholders on the development of the burgeoning RNG market.

**About 3Degrees**

3Degrees is a leading provider of renewable energy and carbon mitigation products, programs, and services. To this end, 3Degrees serves hundreds of corporate and institutional customers, and works closely with utilities across the country, including those in Washington, to help them serve thousands of residential customers through our utility green power program partnerships. As a marketer of renewable energy certificates (“RECs”), carbon offsets, and renewable natural gas, 3Degrees works directly with renewable energy generators across the country to help them find markets for their generation. 3Degrees is also a leading carbon offset project developer, working with dozens of emissions reductions projects, many methane capture, in various sectors to produce high-quality carbon offsets.

**Program Structure**

**1. What level of guidance is needed from the Commission related to the following elements of E3SHB 1257, Sections 13 and 14: General program structure for each section (13 and 14), eligibility of particular environmental attributes, procedures to approve, bank, or transfer environmental attributes. How should that guidance be provided? For example, Policy Statement? Rule? Other?**

3Degrees encourages the Commission to investigate several key issues related to program structure, and provide guidance on these issues to utilities, in order to enable utilities and stakeholders to move forward quickly and confidently with developing high quality programs that

help Washington achieve its carbon reduction goals.

Our assessment of key issues to be addressed is informed by over a decade of experience working both with potential renewable natural gas producers (dairy farms, landfills, etc.) and with utilities on voluntary renewable energy offerings, as well as recent lessons from proposed voluntary RNG tariffs across the country. In order to create complementary programs that support RNG development in the state, and for reasons further outlined in response to question 2, 3Degrees urges the Commission to align RNG eligibility requirements across both the Section 13 and Section 14 programs.

Key issues for consideration include:

**A. Feedstock Eligibility.** The greenhouse gas (“GHG”) impact of various RNG feedstocks can differ dramatically, with some feedstocks even providing net-negative GHG emissions when considering the entire life cycle of the RNG. Setting criteria around which feedstocks are eligible for the programs will be important in order to realize the intended GHG emissions reduction benefits of supporting RNG. The state’s 2018 report “Promoting Renewable Natural Gas in Washington State” discusses the benefits of considering full lifecycle GHG emissions (also called carbon intensity, or CI) in RNG program development. The report indicates that considering CI in procurement encourages RNG projects that capture methane previously escaping into the atmosphere; encourages conservation, efficiency, and use of renewable energy for delivery of RNG (i.e. discourages truck transportation); encourages local supply (to minimize leakage); and encourages utilities to reduce leakage in storage and in the distribution system.

However, there may also be challenges to implementing a carbon-weighted RNG program. To begin with, a carbon-weighted RNG procurement incentive would put procurement in more direct competition with transportation fuel markets (notably the Low Carbon Fuel Standard in California and the Clean Fuels Program in Oregon) which values RNG exclusively based on overall carbon intensity. Further, it may require structuring the program such that it incentivizes RNG procurement based on mitigating the GHG emissions from fossil natural gas, rather than on a volumetric basis (i.e. allowing customers to sign up for a percent-of-use). This type of structure may introduce confusion around this new product to residential customers, and would not align the program with the GHG accounting frameworks that are used by companies and organizations to quantify their carbon footprint, which distinguishes between the direct emissions associated with combusting the gas and the upstream and downstream emissions associated with generating and delivering that gas.

An alternative approach that still incorporates CI would be to create a CI threshold which all RNG must meet. At a minimum, this threshold should be set to ensure that all RNG has a CI that is lower than fossil fuel natural gas. We also anticipate that such a structure is more likely to be in line with the standard under development for the voluntary RNG market by Center for Resource Solutions (CRS) as part of its Green-e certification program. Green-e has been providing oversight in the voluntary renewable electricity market for over two decades, operating the leading certification program for renewable energy.. The RNG standard is scheduled to be released by Summer 2020. The standard will set environmental standards for RNG and create a program that allows voluntary purchasers to offset some or all of their natural gas usage with RNG.

**B. Accounting and Verification of RNG.** 3Degrees recommends that the program be required to use a formal tracking system (similar renewable energy certificates in electricity markets) and/or undertake a supply verification to ensure exclusive environmental benefits are delivered to customers under both programs.

It is not necessary, and likely not possible, to demonstrate physical delivery of RNG to individual customers on the shared distribution pipeline network. However, verification of retirement of environmental attributes from RNG in association with sales through either program (Section 13 or Section 14) is important to ensuring that customers get what they are paying for and to protect against double counting. Robust tracking systems currently exist for the transportation fuels markets, including audit requirements and verification of project claims. Any tracking for Washington's RNG programs could borrow from these frameworks, and should also include provisions to ensure no double counting between these transportation markets and the programs developed in Washington.

3Degrees encourages the Commission to investigate the RNG tracking system currently under development by MRETS<sup>1</sup> as an option for environmental attribute tracking, as well as the chain-of-custody certification program under development by CRS (Green-e). The MRETS RNG tracking system is currently in a beta phase, but anticipates becoming public in 2020. If Washington programs are developed prior to these two systems being in place, 3Degrees recommends that utilities be required to provide details on the tracking and verification procedures they will implement to (1) verify RNG delivery and (2) ensure no double counting.

**C. Other Procurement Criteria.** Other key considerations regarding procurement include: the vintage of the RNG (i.e. when was it delivered to the pipeline), geographic location of the project, and the use of unbundled attributes. 3Degrees encourages the Commission to provide guidance on these topics. Below we've provided a few considerations for each:

- **Vintage.** Vintage requirements (sometimes referred to as "banking" criteria in renewable portfolio standards ("RPS")) are important to ensuring the state's RNG programs deliver high quality RNG to customers. It is typical of RPS policies to put in place vintage restrictions for RECs in order to ensure that the RECs used in a given year represent renewable energy generated and delivered to the shared grid in close proximity to the delivery to customers. The voluntary REC market, through Green-e and the Environmental Protection Agency's Green Power Partnership, also put in place restrictions that require that RECs be generated within a 21 month window of the calendar year to which they are applied. Without a vintage restriction, programs could deliver attributes from RNG delivered many years prior. California's LCFS program similarly puts in place vintage requirements for RNG used as a transportation fuel. The LCFS requires that RNG injected into the North American common carrier pipeline be matched with natural gas used as a transportation fuel within three calendar quarters.

At the same time, vintage flexibility or banking is important in order to encourage utilities to sign long-term forward contracts for fixed volumes--the kinds of contracts needed in

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<sup>1</sup>For more information:

<https://www.mrets.org/will-renewable-natural-gas-credits-help-jumpstart-new-market-for-biogas/>.

order to spur RNG development. 3Degrees recommends that that Commission inform any specific vintage requirements based on other relevant standards, such as Green-e, and through engagement with stakeholders in the state.

- **Geographic location.** 3Degrees encourages the commission to allow geographic flexibility for RNG procurement, particularly as these programs develop. As one of the first states to introduce programs explicitly related to RNG procurement, Washington can maximize the program's impact by supporting RNG development more broadly. We anticipate, to the extent possible, that the programs will naturally source RNG locally to encourage enrollment and maximize in-state benefits, but any specific requirements around location risk raising the price and making the program unappealing to customers.
- **Treatment of unbundled environmental attributes.** As discussed above, standardized tracking of environmental attributes will be the most effective way to facilitate verification and accounting of RNG. As has been established in the transportation fuels markets, RNG attributes convey all of the environmental and other generation benefits that distinguish RNG from fossil natural gas on the shared pipeline system. Similarly to REC markets, allowing RNG attributes to be procured without physical delivery of the underlying natural gas aligns with the existing standards in transportation fuel markets, allows program flexibility and provides a credible claim to RNG usage. This is exemplified in the verification for RNG used as a transportation fuel under California's LCFS program<sup>2</sup>, which requires proof of the following: (1) sole ownership of the RNG attribute by the entity making the claim; (2) matching those RNG attributes to equal quantities of natural gas withdrawn for use as a transportation fuel in California; (3) no use of those environmental attributes for any other purpose or program (i.e. no double counting); and (4) vintage restrictions. Additionally, allowing unbundled environmental attributes for use in the Washington programs will better align the state's programs with the transportation fuels markets. This alignment will create multiple benefits, including transaction ease for RNG producers currently operating within the rules of the transportation markets and flexibility to use excess supply in transportation markets (risk mitigation).

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

3Degrees encourages the Commission to examine opportunities for flexibility in allocating costs between the Section 13 and Section 14 programs in order to magnify their combined impact. The success of the utilities in procuring cost-effective RNG for Section 14 programs will likely hinge on the ability of utilities to sign contracts that are long-term and/or for large volumes. These types of contracts offer stability that the transportation fuels markets do not provide to RNG producers, enabling project financing that is often unavailable to current project.. However, longer term, higher volume contracts can introduce risk to the utility in the event that the voluntary program is under-subscribed. Allowing some flexibility to be able to rate base some under-collection of costs due to under-utilization of the RNG procured for the voluntary program

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<sup>2</sup> For further information, see: [https://ww3.arb.ca.gov/fuels/lcfs/guidance/lcfsguidance\\_19-05.pdf](https://ww3.arb.ca.gov/fuels/lcfs/guidance/lcfsguidance_19-05.pdf).

would greatly bring down the cost of RNG acquisition. This is a common dynamic for renewable electricity tariffs, particularly those that require long-term contracts with new renewable energy projects. In the event that the program is under-subscribed, the utility is permitted to apply excess RECs towards RPS obligations. For under-collection of costs beyond under-utilization of RNG, we encourage the Commission and stakeholders to explore opportunities for funding flexibility across the two programs for activities that benefit both voluntary program participants and the general rate base.

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3Degrees appreciates this opportunity to provide feedback on the design of Washington's RNG Programs. Please do not hesitate to reach out with questions or for further discussion on any of these topics.

Best,

A handwritten signature in black ink that reads "Maya Kelty". The signature is written in a cursive style with some loops and flourishes.

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Maya Kelty  
Director, Regulatory Affairs