



The Honorable David Danner  
Chairman, Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

October 24, 2019

State Of WASH.  
UTIL. AND TRANSP.  
COMMISSION

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**Re: Docket No. U-190818: Investigation into Renewable Natural Gas Programmatic Design and Pipeline Safety Standards**

Dear Chairman Danner:

On behalf of Clean Energy, I would like to provide comments as the Washington Utilities and Transportation Commission (Commission) considers the renewable natural gas (RNG) programmatic design and pipeline safety standards per Engrossed Third Substitute House Bill 1257. This bill requires and allows utilities to offer RNG service to voluntary customers and all customers, respectively.

Our interest in this regulatory process is limited to ensuring there is not a competitive imbalance between utilities and private entities with the production of RNG. The bill, in part, requires that “each gas company must offer by tariff a voluntary renewable natural gas service available to all customers to replace any portion of the natural gas that would otherwise be provided by the gas company.”

Clean Energy is North America’s largest provider of natural gas transportation fuel with over twenty-two years of leading industry experience. We provide construction, operation and maintenance services for refueling stations. We have a deep understanding of the growing marketplace, and our portfolio includes 533 stations in 43 states, including a significant presence of 18 in Washington.

It is stated in Section 12 of HB 1257, "It is the policy of the state to provide clear and reliable guidelines for gas companies that opt to supply renewable natural gas resources to serve their customers and that ensure robust ratepayer protections." It is stated in Section 13, “A natural gas company may propose a renewable natural gas program under which the company would supply renewable natural gas for a portion of the natural gas sold or delivered to its retail customers. The renewable natural gas program is subject to review and approval by the commission.”

This of course is a separate statute from SB 5116, which was also adopted in 2019 and allows an electric utility to invest in “energy transformation projects” which include “investments in equipment for renewable natural gas processing, conditioning, and production, or equipment or infrastructure used solely for the purpose of delivering renewable natural gas for consumption or distribution.”

It is very important to note that in an earlier version of HB 1257, the term “procure and produce” was used instead of the term “supply,” which is what was ultimately adopted. We believe the Commission should strongly consider this purposeful amendment as it considers to what extent all utilities can “supply” RNG under regulations for this specific statute. We are concerned about any give-aways to the

gas utilities at the expense of private developers of RNG who have invested hundreds of millions of dollars in biomethane production assets which has yielded a robust market for RNG and significant reduction in both GHG emissions and short-lived climate pollutants. Thus, we believe any consideration of RNG production by utilities should be confined to within the scope of the SB 5116 regulatory process. With any allowance for the utilities to rate base production, this risk-free source of funding would allow them to dominate the production market over businesses which have to assume risk in the financial markets for capital expenditures.

We believe there should be a clear separation of two separate and distinct policy goals: 1) providing just and reasonable investments necessary to connect biomethane production facilities with the central natural gas distribution system in Washington and, 2) a policy goal to decarbonize the pipeline. As a general policy, we would support full rate basing of pipeline extensions to connect new Washington biomethane projects to the distribution system thereby encouraging new production instead of allowing investor owned utilities to use rate payer funds to invest in RNG production assets.

We would also support what the utility can do now by forming an unregulated subsidiary that does not have access to the rate base. This would provide for another avenue to keep the market competitive, and move the risk to investors of the utility and not the ratepayer. Allowing utilities to invest ratepayer dollars in RNG production assets gives the utilities an unfair competitive market advantage against private developers who do not have the certainty of rate base and must secure private and costly investment capital for RNG production assets. Promoting such utility investment in RNG production opens the possibility for utility monopolization of the RNG production market which has been established and accelerated to this point by private development. The utilities should be incentivized for pipeline extension projects, and we would even support a longer extended interconnect requirement if necessary. Our goal is to encourage an interconnect incentive program to partner utilities with private developers.

Providing pipeline extensions to promote biomethane capture and production should not be confused with the utility procurement and resale of the fuel. Simply put, the extension should not be construed as the utility being required to purchase or have a market advantage to secure this fuel. While that might be the outcome, we believe a clear separation of pipeline extension and procurement of the producers' fuel must occur to enable the existing competitive market to flourish.

RNG achieves the greatest reduction in greenhouse gas emissions and generates the highest economic value when it is delivered as a transportation fuel. Private RNG producers, marketers, and NGV station owners have developed a robust market for RNG as a transportation fuel. Clean Energy and other stakeholder groups are actively pursuing the conversion of heavy emitting diesel fleets in Washington to near zero natural gas engine technology that has been certified to reduce NOx and PM emissions 90% below the current CARB standard.

Again, as this regulatory proceeding moves forward, we recommend that any consideration of RNG production by utilities should be confined to within the scope of the SB 5116 regulatory process.

Thank you for considering our concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan Kenny". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Ryan Kenny  
Senior Public Policy & Regulatory Affairs Advisor – Western U.S.  
Clean Energy