THE
NATIONAL LAW REVIEW

Oregon Adopts Renewable Natural Gas Portfolio Standards

Article By
Eric L. Christensen
David C. Weber
Beverige & Diamond PC
Client Alert--Beveridge and Diamond

- Environmental, Energy & Resources
- Election Law / Legislative News
- Utilities & Transport

- Oregon

Monday, September 23, 2019

While the high-profile and politically-charged failure of the Oregon legislature to pass cap-and-trade legislation has garnered much public attention, Oregon nonetheless adopted less high-profile but important energy legislation in its recently-concluded session. Chief among these is SB 98, which adopts new portfolio targets for the use of renewable natural gas by Oregon's natural gas utilities and directs the Oregon Public Utility Commission (OPUC) to establish mechanisms by which those utilities can recover their investments in renewable natural gas projects. The bill was signed by Governor Kate Brown on July 31, 2019.

The new statute creates increasing targets for the use of renewable natural gas in Oregon, moving in steps from 5% in 2020-24 to 30% by 2045-50. While these are non-mandatory targets, and are fundamentally different from the binding renewable portfolio requirements Oregon and other states apply in the electricity sector, they should create strong incentives for investments in renewable natural gas projects by Oregon's natural gas utilities.

SB 98 defines "renewable natural gas" to include biogas, such as methane produced from anaerobic digesters commonly used by dairies to treat cattle waste, as well as methane and similar hydrocarbons produced from landfills and other non-fossil sources. Importantly, the legislation defines "renewable natural gas" to include hydrogen produced from renewable resources, which will create incentives for Oregon utilities to pursue promising emerging renewable hydrogen technologies.

The legislation directs the OPUC to create cost-recovery mechanisms for investments in renewable natural gas by both large natural gas utilities, those with more than 200,000 customers, and for smaller natural gas utilities. For large utilities, OPUC must establish a mechanism, which may include an automatic cost-adjustment clause, permitting utilities to recover all costs prudently incurred to attain the statute's portfolio targets for renewable natural gas. The utilities may recover investments in infrastructure such as pipelines, connections, and gas purification equipment, as well as costs incurred to procure renewable natural gas from third parties. The mechanism is subject to a price cap such that the utilities may be disallowed from recovering costs if the utility's total retail revenue requirement increases by more than 5%.   Renewable natural gas supplies must be acquired through competitive bidding.

A similar process is required for small utilities, although the legislation is less prescriptive, permitting the OPUC to define the appropriate price cap, portfolio goals, and other specifics. Rulemakings for both large and small natural gas utilities must be completed by July 31, 2020.

The Oregon legislation should create a significant new market for renewable natural gas in the Northwest, particularly when considered in conjunction with new energy legislation in Washington that also seeks to give a boost to renewable natural gas. The legislation is likely to create a significant market for biogas produced by sources such as dairies, composting operations, and municipal sewage treatment plants, as well as encouraging new renewable hydrogen production technologies.

Source URL: https://www.natlawreview.com/article/oregon-adopts-renewable-natural-gas-portfolio-standards