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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 3254

02/13/2020 Authored by Stephenson, Baker, Christensen, Bierman, Boe and others
The bill was read for the first time and referred to the Energy and Climate Finance and Policy Division

1.1 A bill for an act
1.2 relating to energy; establishing the Natural Gas Innovation Act; encouraging natural
1.3 gas utilities to develop alternative resources; providing for renewable natural gas
1.4 rate options and renewable natural gas credits; requiring a renewable natural gas
1.5 inventory; proposing coding for new law in Minnesota Statutes, chapter 216B.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. TITLE.

1.8 This bill may be referred to as the "Natural Gas Innovation Act."

1.9 Sec. 2. [216B.2427] NATURAL GAS UTILITY ALTERNATIVE RESOURCE

1.10 PLANS.

1.11 Subdivision 1. Definitions. (a) For the purposes of this section, the terms defined in this
1.12 subdivision have the meanings given.

1.13 (b) "Alternative resource" means any resource or innovative technology that could be
1.14 used to meet energy demands and achieve the goals under this section. Alternative resource
1.15 includes but is not limited to biogas, power-to-gas, renewable natural gas, nonpipeline
1.16 solutions, and avoided energy usage that is not accounted for in the utility's conservation
1.17 improvement plan.

1.18 (c) "Biogas" means gas that is generated from organic materials through anaerobic
1.19 digestion, gasification, pyrolysis, or other technology that converts organic material to gas.

1.20 (d) "Natural gas utility" means a public utility as defined in section 216B.02, subdivision
1.21 4, that provides natural gas sales or transportation services to customers in Minnesota.

2.1 (e) "Power-to-gas" means the conversion of electricity generated by an eligible energy  
2.2 technology as defined in section 216B.1691, subdivision 1, paragraph (a), into a storable  
2.3 gaseous fuel.

2.4 (f) "Qualified investment" means any capital investment in infrastructure for the  
2.5 production, processing, pipeline interconnection, storage, and distribution of renewable  
2.6 natural gas or alternative resources that could be used to meet energy demands to achieve  
2.7 the renewable energy and greenhouse gas reduction goals under sections 216C.05, subdivision  
2.8 2, clause (3), and 216H.02, subdivision 1.

2.9 (g) "Renewable natural gas" means gaseous fuel meeting pipeline quality standards that  
2.10 is either:

2.11 (1) biogas that has been processed to be interchangeable with conventional natural gas;  
2.12 or

2.13 (2) derived from power-to-gas.

2.14 (h) "Total incremental cost" means:

2.15 (1) the cost of all qualified investments, including the cost of capital established by the  
2.16 commission in the natural gas utility's most recent general rate case, to Minnesota ratepayers;

2.17 (2) operating costs associated with qualified investments;

2.18 (3) the cost to procure renewable natural gas or renewable natural gas credits from third  
2.19 parties;

2.20 (4) any value received by the natural gas utility upon the resale of renewable gaseous  
2.21 fuels not used for service to Minnesota customers, including any environmental credits  
2.22 included with the resale of the renewable gaseous fuels; and

2.23 (5) any savings achieved through avoidance of conventional natural gas purchases,  
2.24 including but not limited to any avoided commodity purchases or avoided pipeline costs.

2.25 Subd. 2. **Renewable natural gas and alternative resource goals.** A natural gas utility  
2.26 may assist the state in meeting its renewable energy and greenhouse gas reduction goals  
2.27 under sections 216C.05, subdivision 2, clause (3), and 216H.02, subdivision 1, by using  
2.28 alternative resources to meet customer energy demands. The natural gas utility's total  
2.29 incremental cost to achieve greenhouse gas reductions under this subdivision must not  
2.30 exceed five percent of the natural gas utility's total annual revenue requirement excluding  
2.31 gas costs, as determined in the natural gas utility's most recent general rate case.

3.1 Subd. 3. **Alternative resource plans.** (a) A natural gas utility may file an alternative  
3.2 resource plan with the commission. An alternative resource plan must include the  
3.3 recommended alternative resources the utility plans to implement to advance the state's  
3.4 goals established in sections 216C.05 and 216H.02, within the requirements and limitations  
3.5 set forth in this section. The utility's recommended plan must separately discuss:

3.6 (1) any pilot program proposed by the natural gas utility related to the development or  
3.7 provision of renewable natural gas or alternative resources;

3.8 (2) the carbon intensity of any alternative resources proposed to be included in the plan;

3.9 (3) the forecasted greenhouse gas emissions reductions achieved or the greenhouse gas  
3.10 emissions avoided if the alternative resources are implemented, including any: (i) avoided  
3.11 emissions attributable to utility operations; (ii) avoided emissions from the production,  
3.12 processing, and transmission of fuels prior to receipt by the utility, to the extent the utility  
3.13 is able to quantify such emissions; and (iii) avoided emissions at the point of end use;

3.14 (4) a discussion of whether the recommended plan supports the goals established in  
3.15 sections 17.50 and 115A.02;

3.16 (5) a description of third-party certifications that verify the environmental attributes of  
3.17 alternative resources included in the recommended plan; and

3.18 (6) a report on the utility's progress toward implementing the recommendations contained  
3.19 in its previously filed alternative resource plan, if applicable.

3.20 (b) The commission must approve or modify the plan within six months of filing upon  
3.21 finding that the plan promotes the natural gas utility's ability to achieve the goals established  
3.22 in sections 216C.05 and 216H.02 at a cost level consistent with this section. Commission  
3.23 approval of a plan constitutes prima facie evidence of the reasonableness of the qualified  
3.24 investments and costs incurred pursuant to the plan. Costs incurred pursuant to an approved  
3.25 plan and costs incurred pursuant to paragraph (c), clause (2), are recoverable either: (1)  
3.26 under section 216B.16, subdivision 7, clause (2), as a direct cost for natural gas delivered;  
3.27 or (2) in the natural gas utility's next general rate case.

3.28 (c) As part of the commission's review of an alternative resource plan, the commission  
3.29 is not required to approve: (1) alternative resources acquired to satisfy a  
3.30 commission-approved program that allows customers to choose to meet a portion of the  
3.31 customers' energy needs through alternative resources; or (2) a purchase of alternative  
3.32 resources if the purchase price falls within five percent of the average of Ventura and Demarc  
3.33 index price at the time of the transaction.

4.1 (d) A natural gas utility with an approved plan must provide annual status reports with  
 4.2 the commission regarding the work pursuant to the plan, including the costs incurred under  
 4.3 the plan and the resulting progress toward the state's goals. As part of the annual status  
 4.4 report the natural gas utility may propose to address changing circumstances. The commission  
 4.5 may approve an amended plan or require the utility to file a new plan to account for changed  
 4.6 circumstances.

4.7 (e) A utility may file an alternative resource plan at any time after this section becomes  
 4.8 effective.

4.9 **Sec. 3. [216B.2428] RENEWABLE NATURAL GAS CREDITS.**

4.10 The commission, by rule or order, must establish a program for tradable renewable  
 4.11 natural gas credits. The credits must represent renewable natural gas as defined in section  
 4.12 216B.2427, subdivision 1, paragraph (g). The commission must facilitate renewable natural  
 4.13 gas credit trading between states and must require all natural gas utilities offering renewable  
 4.14 natural gas to customers to participate in a commission-approved credit tracking system or  
 4.15 systems.

4.16 **Sec. 4. RENEWABLE NATURAL GAS INVENTORY.**

4.17 (a) The Department of Commerce must develop an inventory of renewable natural gas  
 4.18 resources as defined in Minnesota Statutes, section 216B.2427, subdivision 1, paragraph  
 4.19 (g), available to Minnesota. The inventory must include but is not limited to:

4.20 (1) a list of the potential renewable natural gas sources in Minnesota and the estimated  
 4.21 potential production quantities available at each source;

4.22 (2) an estimate of the energy content of listed renewable natural gas sources;

4.23 (3) an estimate of the range of technologies available to Minnesota for renewable natural  
 4.24 gas production and an estimate of the potential energy production by technology, including:  
 4.25 (i) an estimate of the renewable gaseous fuel production potential using power-to-gas; (ii)  
 4.26 separate estimates for production from excess renewable electricity that would otherwise  
 4.27 be curtailed and for production from dedicated renewable generation facilities; and (iii) an  
 4.28 ideal site characterization that details the aspects of a power-to-gas facility that would  
 4.29 contribute to the facility's technical and economic success; and

4.30 (4) a list of the existing biogas and renewable natural gas production sites in Minnesota  
 4.31 that includes: (i) the location of each site; (ii) an estimate of the life cycle greenhouse gas

- 5.1 emissions associated with the fuel produced at each site; and (iii) an assessment of the
- 5.2 supply-chain infrastructure associated with the site.