

SB 424-FN - VERSION ADOPTED BY BOTH BODIES

02/24/2022 0786s
05/26/2022 2098EBA

2022 SESSION

22-2878
12/05

SENATE BILL **424-FN**

AN ACT relative to renewable energy and natural gas.

SPONSORS: Sen. Bradley, Dist 3; Sen. Watters, Dist 4; Sen. Avard, Dist 12; Sen. Sherman, Dist 24; Sen. Giuda, Dist 2; Rep. Somssich, Rock. 27; Rep. Vose, Rock. 9; Rep. Deshaies, Carr. 6

COMMITTEE: Energy and Natural Resources

ANALYSIS

This bill authorizes the recovery of costs related to a utility's procurement of natural gas, and other qualified investments, upon approval of the public utilities commission.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struckthrough.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Two

AN ACT relative to renewable energy and natural gas.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Legislative Findings and Purpose.

2 I. The general court finds that:

3 (a) Renewable natural gas can provide benefits to gas utility customers and to the
4 public, by offsetting or reducing naturally-occurring emissions and waste streams, including
5 offsetting conventional natural gas use.

6 (b) The development of renewable natural gas resources is consistent with and supports
7 the objectives of the New Hampshire energy policy as stated in RSA 378:37.

8 (c) The purpose of this act is to encourage the procurement of renewable natural gas and
9 investment in renewable natural gas infrastructure by gas utilities, provided that the public utilities
10 commission finds utility proposals to be in the public interest.

11 II. The general court therefore declares that:

12 (a) Gas utilities may procure renewable natural gas and invest in renewable natural gas
13 infrastructure.

14 (b) Any regulation of the procurement of renewable natural gas and investments in
15 renewable natural gas infrastructure should be consistent with the purposes of this act.

16 (c) The commission may approve recovery of prudently incurred costs related to
17 procuring renewable natural gas and recovery of and return on qualified investments in renewable
18 natural gas infrastructure by a gas utility.

19 2 New Chapter; Procurement of Renewable Natural Gas. Amend RSA by inserting after chapter
20 362-H the following new chapter:

21 CHAPTER 362-I

22 PROCUREMENT OF RENEWABLE NATURAL GAS

23 362-I:1 Definitions. In this chapter:

24 I. "Biogas" means a mixture of carbon dioxide and hydrocarbons, primarily methane gas,
25 released from the biological decomposition of organic materials.

26 II. "Biomass gasification" means a technology that uses a controlled process involving heat,
27 steam, and oxygen to convert biomass fuels, as defined in RSA 362-F:2, II, to hydrogen and other
28 products, including methane, without combustion.

1 III. "Carbon offsets" means carbon emissions or other greenhouse gas (GHG) emissions
2 measured in metric tons that are avoided through the development of projects that reduce GHG
3 emissions that would not have been developed otherwise.

4 IV. "Carbon oxides" means a class of organic compounds containing only carbon and oxygen,
5 including carbon monoxide and carbon dioxide.

6 V. "Commission" means the New Hampshire public utilities commission.

7 VI. "Environmental attribute" means any credits, benefits, offsets or allowances, or words of
8 similar import or regulatory effect, including allowances under all applicable trading, compliance, or
9 budget programs, or any other federal, state, or regional emission, renewable energy, or energy
10 conservation trading or budget program associated with renewable natural gas.

11 VII. "Gas utility" means a public utility providing gas service to customers under RSA 362:2.

12 VIII. "Incremental cost" means any value received by a gas utility upon the resale of
13 renewable natural gas, including any environmental attributes associated with the renewable
14 natural gas, and any savings achieved through avoidance of conventional gas purchases or
15 development, such as avoided pipeline costs or carbon emission reduction costs, through avoidance of
16 capacity costs or avoidance of any other costs to be realized from the procurement of renewable
17 natural gas or qualified investment.

18 IX. "Qualified investment" means any capital investment in renewable natural gas
19 infrastructure incurred by a gas utility for the purpose of providing gas service under this chapter.

20 X. "Renewable energy" means hydroelectric, geothermal, solar, wind, tidal, wave, biomass,
21 and biogas energy.

22 XI. "Renewable natural gas" or "RNG" means any of the following products processed to
23 meet pipeline quality standards or transportation fuel grade requirements, which may include
24 environmental attributes derived from renewable natural gas or carbon offset products:

25 (a) Biogas that is upgraded to meet natural gas pipeline quality standards such that it
26 may blend with, or substitute for, geologic natural gas;

27 (b) Fuel produced by biomass gasification processes;

28 (c) Hydrogen gas derived from clean energy; or

29 (d) Methane gas derived from any combination of biogas, hydrogen gas or carbon oxides
30 derived from renewable energy, or waste carbon dioxide.

31 XII. "Renewable natural gas infrastructure" means equipment and facilities necessary to
32 receive and inject renewable natural gas into the pipeline distribution system by a gas utility.

33 362-I:2 Procurement of Renewable Natural Gas and Investment in Renewable Natural Gas
34 Infrastructure by Gas Utilities.

35 I. The commission may approve, upon the filing of a petition by a gas utility, recovery of
36 costs related to prudent utility procurement of renewable natural gas and any qualified investment,

1 including the use of an associated cost recovery mechanism, if the commission determines that it is
2 in the public interest to do so after notice and hearing pursuant to RSA 541-A.

3 II. Determination of the public interest under paragraph I shall include consideration of,
4 and each utility filing pursuant to this chapter shall include a detailed description of, the following:

5 (a) The monetary benefits of the proposal to the utility customers and the state, such as
6 the value of any environmental attributes or carbon offsets, relative to the incremental cost to gas
7 utility customers necessary to achieve those benefits.

8 (b) The extent to which the proposal advances the objectives of the energy policy of the
9 state under RSA 378:37, the state's 10-year energy strategy, or other state policy, including
10 enhancing consumer choice and improving gas system resiliency through diversification of supply
11 options.

12 III. All utilities that elect to purchase renewable natural gas shall conduct a competitive
13 bidding process through requests for proposals (RFPs) for renewable natural gas supply and shall
14 consult with the department of energy on all issues related to RFPs.

15 IV. In any given year, renewable natural gas shall not exceed 5 percent of a gas utility's
16 total gas volume delivered. Unless approved by the department of energy, renewable natural gas
17 contracts shall not exceed 15 years.

18 V. The department of energy, in consultation with the utilities, shall study each utility's
19 renewable natural gas contracts. Said study shall begin within 3 years of the effective date of this
20 chapter. The study shall include, but not be limited to market terms, price, conditions, availability,
21 service quality, economic benefits to participating and non-participating customers, and job creation
22 as a result from the utility's use of renewable natural gas. The department of energy shall generate
23 and deliver a report on their findings to the speaker of the house of representatives, the senate
24 president, the house clerk, the senate clerk, and the public utilities commission. The cost of this
25 study shall be funded by a special assessment upon the utility or utilities purchasing renewable
26 natural gas and the commission shall approve the utilities' recovery of costs related to said study.

27 VI. Nothing in this chapter shall require a gas utility to initiate a proceeding with the
28 commission pursuant to this chapter, and nothing in this chapter shall relieve the utility from
29 demonstrating the prudence of contracts entered into prior to cost recovery from customers in
30 permanent rates.

31 3 Rates and Charges; Low Cost Energy Planning. Amend RSA 378:39, II to read as follows:

32 II. Renewable energy sources, *including renewable natural gas as defined in RSA 362-*
33 *I*;

34 4 Effective Date. This act shall take effect upon its passage.

SB 424-FN- FISCAL NOTE
AS AMENDED BY THE SENATE (AMENDMENT #2022-0786s)

AN ACT relative to renewable energy and natural gas.

FISCAL IMPACT: State County Local None

STATE:	Estimated Increase / (Decrease)			
	FY 2022	FY 2023	FY 2024	FY 2025
Appropriation	\$0	\$0	\$0	\$0
Revenue	\$0	Indeterminable	Indeterminable	Indeterminable
Expenditures	\$0	Indeterminable	Indeterminable	Indeterminable
Funding Source:	<input checked="" type="checkbox"/> General <input type="checkbox"/> Education <input checked="" type="checkbox"/> Highway <input checked="" type="checkbox"/> Other - Various Government Funds, Special Assessment for the Study			

COUNTY:

Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	Indeterminable	Indeterminable	Indeterminable

LOCAL:

Revenue	\$0	\$0	\$0	\$0
Expenditures	\$0	Indeterminable	Indeterminable	Indeterminable

METHODOLOGY:

This bill authorizes the recovery of costs related to a utility's procurement of natural gas, and other qualified investments, upon approval of the public utilities commission.

The Department of Energy indicates this bill requires the Department to consult with utilities on their requests for proposal (RFP) for renewable natural gas (RNG) and conduct a study of RNG. The Department states consulting with the utilities on their RFPs can be done within existing resources and accomplished by existing staff. The Department estimates the study will cost \$25,000 to complete due to the need for outside consultants and analysts. Based on the bill, this would be paid for through a special assessment on the natural gas utilities that elect to procure RNG. The cost of this study would be recoverable from the ratepayers of those utilities. If no utility elects to procure RNG, there would be no cost to ratepayers.

Aside from recovery of the cost of the study, there would be no impact on state, county or local revenue. To the extent the state, a county, or unit of local government is a customer of a utility that opts to procure RNG, the cost of that study will be spread over all gas customers of that

utility, although any increase would be negligible. To the extent that the price of the procured RNG is lower than what the utility can procure natural gas for, costs for the state, county, or unit of local governments that use gas will decrease. If the price of the procured RNG is higher than what the utility can procure natural gas for, costs for the state, county, or unit of local governments that use gas will increase. However, the public interest standard in the bill serves as a check on increases to ratepayers, including state, county, and local governments by requiring the PUC to consider the monetary benefits of any proposal submitted to it for approval.

AGENCIES CONTACTED:

Department of Energy