MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	**April 4, 2024**	**Agenda Item **1**
Company	Minnesota Energy Resources Corp. (MERC)	
Docket No.	G-011/M-23-489 **In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Renewable Natural Gas Interconnection Tariff**	
Issues	Should the Commission approve, modify, or deny Minnesota Energy Resources Corp. (MERC)'s request to allow renewable natural gas (RNG) producers to interconnect to the Company's distribution system, and to recover costs to purchase the gas commodity through its Purchased Gas Adjustment (PGA) rider?	

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✓**Relevant Documents**	**Date**
Minnesota Energy Resources Corp.'s Initial Filing – MERC RNG Interconnection Petition	November 28, 2023
MN Public Utilities Commission – Notice of Comment Period	December 19, 2023
Initial Comments Department of Commerce (Department)	January 26, 2023
Reply Comments Minnesota Energy Resources Corporation	February 16, 2024

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BACKGROUND

Issue Statement

During its April 4, 2024 agenda meeting, the Commission will decide whether to approve Minnesota Energy Resources Corp. ("MERC" or "the Company")'s proposal to allow Renewable Natural Gas (RNG) producers to interconnect to the Company's distribution system, and to recover the RNG commodity purchase costs through its Purchased Gas Adjustment (PGA) rider.

Summary of Petition

RNG is defined in Minn. Stat. § 216B.2427 under the Natural Gas Innovation Act as biogas that has been processed to be interchangeable with, and that has a lower lifecycle greenhouse gas (GHG) intensity than, natural gas produced from conventional geologic sources. According to the Environmental Protection Agency (EPA), RNG can be produced from a variety of sources, including solid waste landfills, livestock farms, and organic waste.[1]

MERC is part of a growing nationwide effort of gas utilities seeking to interconnect RNG producers to their distribution networks[2], with a particular focus on Midwest RNG producers. MERC's proposal focuses on farmers and developers who produce RNG from dairy or other animal waste, using anaerobic biological decomposition. MERC's proposal is reminiscent of CenterPoint Energy's RNG interconnection petition in Docket G-008/M-20-434, and key comparisons are described throughout these briefing papers.

The decision before the Commission is whether to approve MERC's proposal to establish a Renewable Natural Gas Interconnection Service, and whether to authorize MERC to recover costs to purchase the resulting commodity through the Company's Purchased Gas Adjustment (PGA) mechanism.

The Company seeks approval of the following documents as part of this overall proposal:

- **RNG Interconnection Tariff**, which establishes the interconnection service as part of MERC's Tariff and Rate Book,
- **RNG Interconnection Agreement**, which describes the process by with an RNG producer may interconnect to the Company's gas distribution system, including its gas quality standards, and
- **Natural Gas Purchase Agreement,** which describes the terms and conditions of purchase of the renewable natural gas commodity.

In addition, the Company proposes several reporting requirements on its activities that the Commission may choose to accept, modify, or deny.

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[1] Renewable Natural Gas | US EPA. Accessed December 15, 2023.

[2] Gas utilities see renewable natural gas investment opportunities expanding | S&P Global Market Intelligence (spglobal.com). Accessed December 15, 2023.

How MERC's Proposed Interconnection Process Would Work

In this proposal, "interconnection" describes the process by which an RNG producer supplies the gas commodity produced on their farmland to MERC's gas distribution system. MERC is proposing to build interconnection infrastructure (including pipelines, valves, and monitoring equipment) that would allow the producer to inject RNG produced on their land directly into its distribution system.

Figure 1 below is a visual representation of MERC's proposed interconnection process. Staff notes that this is a representation of the process assuming the Applicant moves forward at each step.

Figure 1. MERC Proposed Interconnect Process

Preliminary Review:	→	Detailed Study and Estimate:	→	Interconnection Agreement	→	Monthly Purchase and Payment:
MERC conducts a preliminary review of interconnection feasibility, and provides a high-level cost estimate to the prospective producer ("Applicant").		MERC conducts a more detailed engineering and feasibility study, and provides a more detailed cost estimate to the Applicant.		Applicant executes Interconnection Agreement and becomes Producer. Producer pays contribution in aid of construction (CIAC) for all design, construction, inspection, and other related costs. CIAC subject to true-up based on actual expenses.		Producer is paid monthly based on first-of-the-month (FOM) Ventura Index pricing for the volume of gas purchased, with operations and maintenance (O&M) costs subtracted. MERC recovers the commodity purchase costs through the PGA.

Next, Staff describes how the different documents for which MERC seeks approval work within the context of MERC's overall requests to a) establish its RNG interconnection service, and b) recover its commodity purchase costs through the PGA.

<u>Establishment of an RNG Interconnection Service</u>

Interconnection Tariff (Attachment A)

This document would be added to MERC's Tariff and Rate Book (under Section 6) to establish a Renewable Natural Gas Interconnection Service.

Interconnection Agreement (Attachment B)

The Interconnection Agreement describes the process, terms, and conditions by which an RNG producer may interconnect to the Company's gas distribution system. It is signed after the detailed study and cost estimate is completed, and before construction begins. The Agreement includes:

- The estimated costs for design, installation, construction, and inspection of interconnection facilities (including applicable taxes) required to be paid through up-front contributions in aid of construction (CIAC). The CIAC payment is subject to true-up based on actual costs and expenses MERC incurs associated with construction of all required interconnection facilities.
- The applicant's obligations and requirements to receive service under the RNG interconnection tariff, including upfront payment of anticipated interconnection costs, agreements to make monthly operations and maintenance payments, and obligation to deliver certain volumes.
- The gas quality standards that an RNG producer must meet before injecting their commodity into MERC's distribution system.

The proposed gas quality standards are specific to RNG derived from dairy and other animal waste, as MERC states that producers have only asked to interconnect using this feedstock. Consistent with the Commission's decision on CenterPoint's Docket No. G008/M-20-434, MERC does not seek Commission approval for the standards themselves. MERC proposes to:

- Continuously evaluate its gas quality standards in accordance with the best science and in consultation with the Minnesota Department of Commerce and Minnesota Office of Pipeline Safety,
- Publish the quality standards on its website, and
- Update the standards on that website and via compliance filings with the Commission as necessary.

<u>Cost Recovery under the PGA</u>

Natural Gas Purchase Agreement (Attachment C)

MERC's proposed Natural Gas Purchase Agreement outlines the agreement between MERC and the producer, in which MERC purchases the RNG commodity at Northern Venture first-of-month (FOM) index prices. MERC states that this structure is consistent with Minnesota statutes and rules[3], and relevant orders from the Commission[4], and that this purchase price would be equivalent to other non-renewable natural gas commodity costs. MERC then proposes to recover these commodity costs through the Purchased Gas Agreement.

MERC states that it does not propose to increase its rate base with this new program. Any interconnection costs (e.g. building of new infrastructure, or operations and maintenance costs) would be borne by the RNG producer under its Interconnection Agreement. MERC states that,

[3] Minn. Stat. §216B.16, Subd. 7 and Minn. R. 7825.2390 - 7825.2850

[4] Docket No. G999/CI-21-135, *ORDER REQUIRING ACTIONS TO MITIGATE IMPACTS FROM FUTURE NATURAL GAS PRICE SPIKES, SETTING FILING REQUIREMENTS, AND INITIATING A PROCEEDING TO ESTABLISH GAS RESOURCE PLANNING REQUIREMENTS, February 17, 2023*

because the commodity would be purchased at Northern Ventura first-of-month index prices, it would be equal to the Company's other baseload natural gas commodity prices. MERC argues that purchasing locally produced RNG could potentially save its ratepayers money, as a localized supply could decrease incremental interstate pipeline capacity costs. MERC proposes to subtract monthly operations and maintenance costs from its monthly commodity payment to producers for one net payment[5].

Reporting

MERC proposes two types of reporting: per new producer, and annual. This is the same cadence that the Commission approved in CenterPoint's petition in Docket No. G008/M-20-434, but the content does differ (for details, see the "Discussion" section below).

Per Producer

MERC proposes to file a report with the Commission each time MERC accepts a new producer's RNG into its system. This report would provide information on the producer feedstock and expected amount of RNG to be produced and be filed within 30 days of interconnection.

Annual

In addition to its reporting on new producers, MERC proposes to:

A. Separately track the costs MERC incurs for each RNG producer or developer that interconnects with MERC's distribution system, and the total RNG received from each RNG producer or developer.
B. Track and identify all customers added to lines built to accommodate interconnecting RNG developers, along with associated costs and revenues, and provide an analysis and discussion of these matters in MERC's next rate case.
C. Continuously evaluate its gas quality standards in accordance with the best available science and to propose future updates, as appropriate, after consultation with the Minnesota Department of Commerce and Minnesota Office of Pipeline Safety.
D. Annually, by February 1 each year, file information on the total number of interconnected RNG producers, amount of RNG, and feedstocks, and to provide updates regarding any changes proposed to MERC's gas quality standards.
E. If any affiliates of MERC are or become involved in any RNG interconnection project, MERC will:
    a. Inform the Commission and Department,
    b. Explain whether any proposed interconnection project implicates Minn. Stat. § 216B.48 and Minn. R. 7825.1900–7825.2300; the relevance of the affiliated interest laws to all applicable projects; and how any transactions with its affiliates would comply, and
    c. Seek Commission approval of transactions governed by the affiliated interest laws.

[5] See Page 1 of MERC's Natural Gas Purchase Agreement, Revised Attachment C, *Reply Comments*, Feb 16, 2024

DISCUSSION

Participant Comments

Only the Minnesota Department of Commerce, Division of Energy Resources ("Department") filed comments on this matter. In initial comments the Department agreed that MERC's proposal is overall in the public interest, stating that "MERC has structured its petition so that existing customers are not harmed and can only benefit from the interconnection of RNG."[6] However, the Department brought up several points of discussion about MERC's Interconnection Agreement, Natural Gas Purchase Agreement, and proposed reporting requirements. Once again, each specific part of the discussion is broken down under MERC's requests to a) establish an RNG interconnection service and b) recover commodity purchase costs through the PGA.

<u>Establishment of an RNG Interconnection Service</u>

Interconnection Tariff

The Department provided no objections to the Interconnection Tariff (Attachment A), stating that it reasonably protects other customers and is not unreasonable to potential RNG sellers given sellers would be the principal beneficiaries of the interconnection.

Interconnection Agreement

Overall, the Department agreed that the Interconnection Agreement reasonably protects customers and has no objections. The Department agreed with MERC that the Commission need not regulate the actual gas quality standards (similar to the Commission's decision on CenterPoint's Docket No. G008/M-20-434)[7]; however, the Department suggested that the Commission take action consistent with its gas quality-related action on CenterPoint's Docket No. G008/M-20-434 (**Decision Option 3**):

- Ensure that any RNG interconnection or service is consistent with its obligations to provide safe and reliable service.
- Maintain on MERC's website the most up-to-date RNG quality standards and testing requirements for those injecting RNG into the distribution system under CenterPoint's RNG interconnection program.
- Periodically update its gas quality standards according to the best available science, after consulting with stakeholders, the Minnesota Department of Commerce, and the Minnesota Office of Pipeline Safety.
- Notify the Commission when it changes its service quality standards.
- In its annual report, report on any discussions with stakeholders on its gas quality standards.

<u>Cost Recovery under the PGA</u>

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[6] DOC DER, *Comments*, January 26, 2024

[7] Docket No. G008/M-20-434, *ORDER--ORDER APPROVING RENEWABLE NATURAL GAS INTERCONNECTION FRAMEWORK AND TARIFF WITH MODIFICATIONS,* January 26, 2021

Natural Gas Purchase Agreement (Attachment C)
The Department agreed with MERC that the PGA is the appropriate mechanism for recovering these costs. The Department was persuaded that RNG purchases would, under MERC's proposed structures, be consistent with other conventional natural gas purchases, and that the PGA would be the least-burdensome approach to recovering costs.

The Department had two clarifying questions about the Natural Gas Purchase Agreement, which MERC addressed in its reply comments.

First, MERC's Agreement stated that "To the extent an IFERC Northern Ventura FOM price is unavailable or not reported, the Parties shall confer and use a mutually agreed upon replacement FOM index as a basis for the per MMBtu price." The Department asked MERC to explain how the Company would protect ratepayers in a scenario in which the Northern Ventura FOM price was not available or not reported. In its reply comments, MERC stated that, by selecting a replacement FOM index, its procedure would be consistent with how MERC would purchase other natural gas supply.

Second, the Department noticed a small error in MERC's proposed Agreement, where MERC had incorrectly written its Natural Gas Purchase Agreement to double-recover the monthly operations and maintenance costs from the producer. MERC corrected this with a redline version in its reply comments[8].

Reporting
The biggest source of discussion was the Department's requests for MERC to provide more detailed reporting, particularly on the emissions of these RNG projects.

Per Producer
The Department asked whether MERC would consider submitting the same compliance filing information as CenterPoint[9] within 30 days of each new interconnection, with information on:

A. The producer's feedstock or feedstocks.
B. The total amount of RNG expected to be provided by the producer.
C. The mix of end-uses of the digestate.
D. If known, the state(s) in which the entity or entities purchasing the RNG from the producer are located and the end-use for which the RNG is being purchased.
E. Methane leakage control and mitigation measures employed by the producer at the production and upgrade facility.
F. Estimated amount of methane leakage for the producer and a description of the methodology used to develop that estimate.

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[8] See Page 1 of MERC's Natural Gas Purchase Agreement, Revised Attachment C, *REPLY COMMENTS*, Feb 16, 2024

[9] Docket No. G008/M-20-434, *ORDER APPROVING RENEWABLE NATURAL GAS INTERCONNECTION FRAMEWORK AND TARIFF WITH MODIFICATIONS,* January 26, 2021.

G. Analysis of the lifecycle greenhouse gas emissions, including emissions associated with the upgrade facility, of RNG volumes provided by the producer— and a description of the methodology used to develop the lifecycle analysis.

For the Department, the lack of items E-G elicited overall concerns that MERC is not planning to measure or verify whether the RNG purchased under this tariff would have a lower GHG emissions intensity than conventional natural gas.

In its reply comments, MERC did not agree to these additional reporting requirements, stating several reasons. First, MERC argued that E-G fall more into the purview of the RNG producer, and that it would be burdensome for MERC to identify and report these metrics.

In addition, MERC stated that it aims to simply buy the commodity, without any associated environmental benefits, whether those benefits are emissions reductions or environmental attributes. The Company stated that, because it does not intend to purchase the environmental attributes associated with the RNG, it is not necessary to verify the GHG emissions. MERC defines "environmental attributes" in its Natural Gas Purchase Agreement as follows:

> Carbon credits, greenhouse gas offsets, green tags, renewable energy credits, production tax credits, allowances for air emissions, or renewable identification numbers, nutrient trading credits, similar financial incentives or subsidies, or other similar instruments under the federal Renewable Fuels Standard, state-based Low Carbon Fuels Standard, or any other local, state, regional, federal, or international environmental programs providing incentives or credits, or any other environmental attributes associated with renewable natural gas, renewable transportation fuels, bio-fertilizers, or other products generated by the anaerobic digestion, processing of organic materials, or otherwise from operation of the Facilities, and any credits, grants, or incentive payments derived therefrom.

Annual Reporting

As with MERC's per-producer reporting, the Department requested more in-depth annual reporting than what MERC proposes. The Department asked whether MERC was amenable to providing additional information, consistent with CenterPoint's requirements, in its annual reports, stating that these additional reporting requirements would help inform the Commission of the GHG characteristics of the RNG purchased under this tariff.

The requirements from Order Point 11 of the January 26, 2021 CenterPoint Order in Docket G-008/M-20-434 are:

> By each February 1, beginning in 2022, CenterPoint shall file the following information:
>
> A. The total number of interconnected RNG producers supplying RNG to the CenterPoint system in the previous calendar year.

B. The amount of RNG volumes taken onto the CenterPoint system each year in total and from each of those producers.
C. The mix of feedstock used by RNG producers connected to CenterPoint's system and volumes provided to the system broken out by primary feedstock for the previous calendar year.
D. The mix of end-uses of the digestate for each producer interconnected to CenterPoint's system.
E. The estimated methane emissions associated with the total amount of RNG received on CenterPoint's system in the previous calendar year and by primary feedstock, and a description of the methodology for estimating methane emissions.
F. Estimated lifecycle greenhouse gas emissions, including emissions associated with the upgrade facilities, of the RNG received on CenterPoint's system in the previous calendar year in total and by primary feedstock compared to lifecycle emissions of geological natural gas on CenterPoint's system, along with a description of the methodology for determining those lifecycle greenhouse gas emissions.
G. Updated information for each interconnected RNG producer using the same data points as included in the per-producer compliance filing described in Ordering Paragraph 10.

MERC again declined to add these items to its proposed annual reporting requirements, citing administrative burden, and the theoretical irrelevance of GHG emissions given that MERC does not plan to purchase environmental attributes.

GHG Accounting Framework
In addition to questions on reporting requirements, the Department separately asked MERC to share whether they have a reasonable GHG accounting framework in place. The Department cited the Commission's order on June 1, 2022 in Docket G-999/CI-21-566[10], requiring utilities who submitted a Natural Gas Innovation Plan to utilize the Argonne GREET system for calculating the lifecycle greenhouse gas intensity of any RNG pilots.

In its original proposal, MERC specifically states that it is *not* submitting this proposal under the Natural Gas Innovation Act[11], and in reply comments said again that it did not believe that accounting for GHG emissions was necessary given that it will not be purchasing the environmental attributes.

[10] Docket G-999/CI-21-566, *ORDER--ORDER ESTABLISHING FRAMEWORKS FOR IMPLEMENTING MINNESOTA'S NATURAL GAS INNOVATION ACT*, Order Point 6, June 1, 2022

[11] Docket G-011/M-23-489, Page 2

Staff Analysis
Staff notes that MERC is one of several gas distribution utilities seeking to connect locally produced RNG to their distribution system, and that RNG-related issues are being discussed in other dockets currently before the Commission:

- CenterPoint Energy proposed an RNG interconnection tariff on April 23, 2020 in Docket G008/M-20-434. The Commission approved the tariff with modifications, including annual reporting requirements, in its January 26, 2021 Order. CenterPoint has not yet facilitated a successful RNG interconnection, citing a longer-than-expected interconnection process in its compliance filing on January 31, 2024.
  - The Commission also initially directed CenterPoint Energy in its order to propose a framework for evaluating and verifying the carbon intensity of various RNG resources (which CenterPoint then proposed in Docket No. G008/M-21-324). The Commission suspended the comment period in favor of addressing this topic under a holistic Natural Gas Innovation Act framework in Docket No. G999/M-21-566.
- Great Plains Natural Gas Co. filed for a new RNG interconnection rate schedule on January 12, 2024 (Docket G004/M-24-73).
- Xcel Energy and CenterPoint Energy both proposed several RNG interconnection and RFP pilots in their Natural Gas Innovation Act petitions (Xcel: G002/M-23-518; CenterPoint: G008/M-23-215).

Staff therefore believes that it is important to consider how RNG is being used by Minnesota's gas distribution utilities broadly when assessing this proposal.

MERC has stated that its overall goals with this proposal are to:

1. Meet demand from potential RNG producers, who are seeking to a) interconnect to MERC's distribution system, and b) sell RNG or the environmental attributes associated with RNG to the existing and developing market, and
2. Provide locally produced natural gas commodities to its customer base at a price competitive with imported natural gas, with the potential to avoid incremental interstate pipeline capacity costs.

The Department has agreed with MERC that both aims are reasonable and will not harm customers. Based on this record, there does not appear to be any significant dispute that MERC's proposal accomplishes these goals.

There may, however, be additional goals to consider, consistent with some of the Department's recommendations in this proceeding. In particular, most of the Commission's recent work related to RNG has focused on its capability to reduce the emission intensity of the natural gas system. MERC's RNG proposal does not appear to be targeted to emission reductions, because its proposed tariff is written to completely preclude any opportunity for the utility to purchase the environmental attributes of the RNG, or to measure its emissions reductions.

On the other hand, the State has established a goal for reducing greenhouse gas emissions[12], and the Commission has several proceedings indicating that RNG may be a useful tool towards those goals. The Commission could (but does not have to) consider whether modifications to MERC's proposal could be made to support those goals. Stated another way, the Commission may want to consider whether it makes sense to establish an RNG interconnection tariff that does not establish and track progress towards the state's emission goals.

The Department has suggested a few changes that could work towards those goals, including reporting requirements to give more information about emission intensity of the RNG, and an accounting framework for measuring it (**Decision Options 7, 9, and 11**).

Reporting Requirements

Given the increasing number of RNG interconnection dockets before the Commission, Staff believes the Commission could consider it reasonable to standardize reporting requirements across RNG interconnection tariffs, and order MERC to provide the same information as CenterPoint in Docket G008/M-20-434 (with relevant dates updated). Staff has provided **Decision Option 12** for the Commission to consider opening a comment period on standardizing RNG interconnection reporting requirements.

The Company's objections to many of the Department's proposed reporting requirements are that they would be a) burdensome and b) not relevant, given that MERC would not purchase the environmental attributes associated with the RNG. However, the Company argues it seeks to meet demand from RNG producers who wish to sell these attributes into various environmental markets, e.g. the EPA's Renewable Identification Number ("RIN") market, or California and Oregon Low Carbon Fuel Standards (LCFS) markets. It is unclear to Staff why MERC believes that producers would be able to sell into these markets (where they would presumably be required to verify and report their emissions as a condition of creating the attribute), but not be able to verify and report those same metrics to MERC, who could then file them in its reporting, per Department suggestions. The Commission may wish to verify this with the Company at the agenda meeting.

GHG Accounting Framework

MERC again states that it is not necessary to have a GHG accounting framework for the RNG purchased under this tariff, as the Company does not plan to purchase the environmental attributes associated with the RNG. However, the Department's question of whether MERC should be compelled to utilize the GHG Accounting Framework identified in the June 1, 2022 Order in Docket No. G999/CI-21-566 could have merit for a number of reasons.

First, while MERC states clearly that this petition is not part of an NGIA proposal, Staff is uncertain whether MERC can procure "innovative resources" outside of the framework established by NGIA under Minn Stat. § 216B.2427 if procuring the resources does not meet

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[12] Minn. Stat. § 216H.02.

specific criteria discussed below. Under the statute, "innovative resource" means biogas, renewable natural gas, power-to-hydrogen, power-to-ammonia, carbon capture, strategic electrification, district energy, and energy efficiency[13]. Innovation plans filed with the Commission must include, among other things, the lifecycle greenhouse gas emissions intensity of the proposed innovative resources. As noted above, MERC indicates it is not filing under NGIA, and so argues that these requirements do not apply to its proposal.

However, NGIA also provides the framework for a utility to obtain innovative resources *outside of an innovation plan*[14]. Under the statute, without filing an innovation plan, a utility may propose to procure innovative resources that:

(1) are acquired to satisfy a commission-approved green tariff program that allows customers to choose to meet a portion of the customers' energy needs through innovative resources; or
(2) are procured at a cost that is within five percent of the average of Ventura and Demarc index prices for natural gas produced from conventional geologic sources at the time of the transaction per unit of natural gas that the innovative resource displaces.

Although MERC's proposal would be permissible under subd. 4 if the innovative resource was procured at a cost that was within five percent of the average of Ventura and Demarc index prices, it is not clear that MERC's current proposal would meet this standard. MERC's current proposal is to purchase the commodity at Northern Ventura first-of-month index prices. Thus, depending on the price at Demarc, MERC's proposal might not be within five percent of the average of Ventura and Demarc.

Finally, the NGIA statute[15] identifies one potential fatal flaw in the development of RNG as an emissions reduction strategy - that producers could potentially add animal units solely or primarily to produce RNG for the plan - and seeks to prohibit that. This presents an open question for any docket related to RNG derived from animal waste in Minnesota: how can the Commission verify whether producers are not adding animal units for this purpose, and therefore actually *increasing* emissions? Staff does not have an answer for this, but rather brings it up as a topic for broader consideration.

Overall, MERC's proposal is broadly accepted by the Department as the only commenting party. However, Staff believes that significant questions have emerged in this docket around the relationship between individual RNG interconnection tariffs and the criteria laid out in the

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[13] Minn Stat. 216B.2427, subd. 1(h).

[14] Minn Stat. 216B.2427, subd. 4 *(emphasis added).*

[15] Minn Stat. 216B.2427, subd. 2(b)(8) states "any renewable natural gas purchased by a utility under the plan that is produced from the anaerobic digestion of manure is certified as being produced at an agricultural livestock production facility that has not and does not increase the number of animal units at the facility solely or primarily to produce renewable natural gas for the plan."

Natural Gas Innovation Act statute that were not contemplated when the Commission established innovation plan frameworks in its June 1, 2022 Order in Docket No. G-999/CI-21-566. Staff is not convinced that MERC can avoid the requirements of NGIA by simply stating that it is not filing its proposal under Minn Stat. 216B.2427 subd. 2 (innovation plans) or subd. 4 (innovative resources procured outside of an innovation plan). The Commission may wish to discuss this matter with parties at the agenda meeting and/or pursue additional record development on these issues.

DECISION OPTIONS

Overall, the Department agrees on the fundamental aspects of MERC's proposal, with differences mostly related to reporting and accounting for GHG emissions.

Interconnection Tariff

1. Approve MERC's Interconnection Tariff, which allows for the establishment of a new RNG interconnection service. *(MERC, Department)*

Interconnection Agreement

2. Approve MERC's Interconnection Agreement. *(MERC)*

OR

3. Approve MERC's Interconnection Agreement with the additional requirements that MERC:
   A. Ensure that any RNG interconnection or service is consistent with MERC's obligations to provide safe and reliable service.
   B. Maintain on MERC's website the most up-to-date RNG quality standards and testing requirements for those injecting RNG into the distribution system under CenterPoint's RNG interconnection program.
   C. Periodically update its gas quality standards according to the best available science, after consulting with stakeholders, the Minnesota Department of Commerce, and the Minnesota Office of Pipeline Safety.
   D. Notify the Commission when it changes its service quality standards.
   E. In its annual reports, report on any discussions with stakeholders on its gas quality standards.

   (Department)

Natural Gas Purchase Agreement

4. Approve MERC's corrected Natural Gas Purchase Agreement, filed in Reply Comments on February 16, 2024. *(MERC, Department)*

Cost Recovery

5. Allow MERC to recover the cost of RNG purchased under the tariff through the PGA mechanism. *(MERC, Department)*

Per Producer Reporting Requirements

6. Require MERC to make a compliance filing within 30 days each time it accepts another producer's renewable natural gas into its system providing information on the producer feedstock and expected amount of RNG to be produced. *(MERC)*

OR

7. Require MERC to make a compliance filing within 30 days with the following items each time it accepts another producer's renewable natural gas into its system:
   A. The producer's feedstock or feedstocks.
   B. The total amount of RNG expected to be provided by the producer.
   C. The mix of end-uses of the digestate.
   D. If known, the state(s) in which the entity or entities purchasing the RNG from the producer are located and the end-use for which the RNG is being purchased.
   E. Methane leakage control and mitigation measures employed by the producer at the production and upgrade facility.
   F. Estimated amount of methane leakage for the producer and a description of the methodology used to develop that estimate.
   G. Analysis of the lifecycle greenhouse gas emissions, including emissions associated with the upgrade facility, of RNG volumes provided by the producer— and a description of the methodology used to develop the lifecycle analysis. *(Department)*

Annual Reporting Requirements

8. Require MERC to make a compliance filing annually by February 1 that includes total number of interconnected RNG producers, amount of RNG, and feedstocks, and to provide updates regarding any changes proposed to MERC's gas quality standards. To the extent an existing RNG producer changes feedstock or the expected amount of RNG to be produced, MERC agrees to provide updated information in its annual report. *(MERC)*

OR

9. Require MERC to make a compliance filing annually by February 1 each year with the following items:
   A. The total number of interconnected RNG producers supplying RNG to the MERC system in the previous calendar year.
   B. The amount of RNG volumes taken onto the MERC system each year in total and from each of those producers.
   C. The mix of feedstock used by RNG producers connected to MERC's system and volumes provided to the system broken out by primary feedstock for the previous calendar year.
   D. The mix of end-uses of the digestate for each producer interconnected to MERC's system.
   E. The estimated methane emissions associated with the total amount of RNG received

on MERC's system in the previous calendar year and by primary feedstock, and a description of the methodology for estimating methane emissions.

F. Estimated lifecycle greenhouse gas emissions, including emissions associated with the upgrade facilities, of the RNG received on MERC's system in the previous calendar year in total and by primary feedstock compared to lifecycle emissions of geological natural gas on MERC's system, along with a description of the methodology for determining those lifecycle greenhouse gas emissions.

G. Updated information for each interconnected RNG producer using the same data points as included in the per-producer compliance filing described above. *(Department)*

10. Require MERC to:
    A. Separately track the costs MERC incurs for each RNG producer or developer that interconnects with MERC's distribution system, and the total RNG received from each RNG producer or developer.
    B. Track and identify all customers added to lines built to accommodate interconnecting RNG developers, along with associated costs and revenues, and provide an analysis and discussion of these matters in MERC's next rate case.
    C. Continuously evaluate its gas quality standards in accordance with the best available science and to propose future updates, as appropriate, after consultation with the Minnesota Department of Commerce and Minnesota Office of Pipeline Safety. *(Not needed if the Commission approves Decision Option 3(c).)*
    D. If any affiliates of MERC are or become involved in any RNG interconnection project:
        i. Inform the Commission and the Department
        ii. Explain whether any proposed interconnection project implicates Minn. Stat. § 216B.48 and Minn. R. 7825.1900–7825.2300; the relevance of the affiliated interest laws to all applicable projects; and how any transactions with its affiliates would comply, and
        iii. Seek Commission approval of transactions governed by the affiliated interest laws.

    (MERC, Department)

GHG Accounting

11. Require MERC to calculate the greenhouse gas intensity of any RNG purchased under this tariff in accordance with the Argonne GREET model, per the June 1, 2022 Order in Docket No. G999/CI-21-566. *(Staff notes that the Department asked MERC whether it has a reasonable greenhouse gas accounting framework in place but did not specifically recommend using the Argonne GREET model. Staff provides this decision option, but the Commission may wish to clarify the Department's position at the agenda meeting.)*

Standardization of RNG Interconnection Reporting Requirements

12. Delegate Authority to the Executive Secretary to open a docket to establish standardized reporting requirements for any gas utility providing RNG interconnection services. *(Staff proposed)*