



CLEAN METHANE SYSTEMS LLC

March 13, 2019

Senator Michael Dembrow, Chair
Senate Committee on Environment and Natural Resources
Oregon State Capitol
Salem, OR 97301

RE: CMS comments on proposed Senate Bill 98

Chair Dembrow and Members of the Senate Committee on Environment and Natural Resources:

Clean Methane Systems LLC is an Oregon Company that designs and manufactures equipment that facilitates biogas and methane recovery for over 20 years. We would like to offer our perspective on Senate Bill 98 (SB 98) as a private sector company with long experience in the biogas and renewable natural gas (RNG) sector.

Biogas is produced in Oregon as a natural organic bi-product of environmentally sustainable practices, such as protecting water supplies from waste streams, extending the life of landfills and improving the management and health of agricultural assets. The resulting energy bi-product is in itself exceptionally valuable to Oregon and its citizens and the productive use of that asset aligns well with the values and objectives of the state.

Currently biogas producers have several options for using the gas. For example, the methane can be used to produce heat directly in boilers, as fuel for generators that then produce heat and electricity, and/or upgraded to high-grade RNG to use as compressed or liquified natural gas to offset the use of diesel or other fossil fuels. RNG used as a transportation fuel in recent years has proven perhaps the highest and best use of the methane, both from an economic and environmental perspective.

We strongly encourage the committee to continue to pursue policies that drive the development of methane recovery for such beneficial use.

We do have concerns with SB 98, however, as we believe there is a risk it will discourage entrepreneurial, privately-funded efforts to produce carbon-sensitive energy alternatives such as RNG from biogas and will effectively suppress the market value of the biogas being produced.

In the state of Oregon, a single utility already has a disproportionate influence on the natural gas collection and distribution system. We believe that existing situation in conjunction with SB 98 would result in:

1. reducing competition by favoring a quasi-monopolistic utility through ratepayer subsidization of future development to the detriment of private developers;
2. enabling the utility to effectively control and move the supply of biogas away from highest-value transportation markets that capitalize on existing environmental attributes such as the EPA's renewable energy incentives and state-specific low carbon credits, toward markets that are much lower in value but more in line with the ongoing needs of the utility.

- discouraging private development from investing on an “even playing field” in innovations to further develop the renewable energy sector by capitalizing on higher market values.

In other words, if the utility can get ratepayers to subsidize the costs of building pipeline access points then they are likely to wield undue control over supply and discourage future development. Furthermore, even if producers are able to finally access pipelines and sell to other RNG offtakers than the utility, this legislation is likely to confuse the market for several years and stymie development during that period.

We believe that if the state wishes to drive renewable fuels development in Oregon the following steps would prove beneficial:

- Require utilities to hold renewable natural gas to the same technical specification requirements as its fossil fuel equivalent, and not to a higher standard. This will beneficially reduce the cost of capital investment required to upgrade raw biogas to marketable RNG.
- Encourage utilities to act quickly on interconnect agreements with developers. We know from experience that it can take many frustrating years to get an interconnect agreement, if it can be obtained at all. That restrictive behavior is prohibitive to private sector development.
- Allow the utility to rate base infrastructure upgrades but ensure that such investments are determined independent of the RNG acquisition objectives of the utility. The reality is, a developer like a dairy farmer and a utility may have diverging interests, and it is unfair if the utility will be able to justify the project based on ratepayer subsidization whereas the dairy farm does not have that arbitrary competitive advantage.
- Ensure the utility allows and encourages producers to sell into markets other than the utility, and similarly require the utility to use most acquired RNG into the “highest and best use” market, likely transportation in the foreseeable future.
- Promote the benefits of RNG actively. Not only does RNG offset fossil fuel use, its production provides clean water, land and air through the diversion of waste streams.
- Act to make the RNG markets stable and predictable over time in the state of Oregon. These investments are long term and will be limited by ambiguous or limited term regulatory policy. The more stable the market the more players you will have at the table, and the resulting competition will benefit Oregon and its citizens.
- Allow Energy Trust of Oregon to participate in RNG markets and not be restricted only to renewable electricity markets.

We are supportive of this legislative process and appreciate the opportunity to share our thoughts on the subject with you. Thank you for your consideration.

Best regards,
CLEAN METHANE SYSTEMS LLC

By: Timothy D. Robinson
President



Clean Methane Systems LLC