

SENATE COMMITTEE SUBSTITUTE

FOR

SENATE BILL NO. 829

AN ACT

To repeal section 386.895, RSMo, and to enact in lieu thereof one new section relating to a renewable natural gas program.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Section 386.895, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 386.895, to read as follows:

386.895. 1. As used in this section, the following terms shall mean:

(1) "Biogas", a mixture of carbon dioxide and hydrocarbons, primarily methane gas, released from the biological decomposition of organic materials;

(2) "Biomass", has the meaning given the term "qualified biomass" in section 142.028;

(3) "Gas corporation", the same as defined in section 386.020;

(4) "Qualified investment", any capital investment in renewable natural gas infrastructure incurred by a gas corporation for the purpose of providing natural gas service under a renewable natural gas program;

(5) "Renewable energy sources", hydroelectric, geothermal, solar photovoltaic, wind, tidal, wave, biomass, or biogas energy sources;

(6) "Renewable natural gas", any of the following products processed to meet pipeline quality standards or transportation fuel grade requirements:

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

(b) Hydrogen gas; or

(c) Methane gas derived from any combination of:

a. Biogas;

b. Hydrogen gas or carbon oxides derived from renewable energy sources; or

c. Waste carbon dioxide;

(7) "Renewable natural gas infrastructure", all equipment and facilities for the production, processing, pipeline interconnection, and distribution of renewable natural gas to be furnished to Missouri customers.

2. No later than July 1, 2025, the commission shall adopt rules [for] permitting gas corporations to voluntarily institute a [to offer a voluntary] renewable natural gas program. Rules adopted by the commission under this section shall be limited to [include]:

(1) Rules for reporting requirements; [and]

(2) Rules for establishing a process for gas corporations to submit filings pursuant to the renewable natural gas program;

(3) Rules for establishing a process for gas corporations to fully recover incurred costs that are prudent, just, and reasonable associated with a renewable natural gas program. Such recovery shall not be permitted until the project is operational and produces renewable natural gas for customer use; and

(4) The public service commission may promulgate rules limited to its rulemaking authority under this subsection.

Any rule or portion of a rule, as that term is defined in section 536.010, that is created under the authority delegated in this section shall become effective only if it

complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2024, shall be invalid and void.

3. A filing by a gas corporation pursuant to the renewable natural gas program created in subsection 2 of this section shall include, but is not limited to:

(1) A proposal to procure a total volume of renewable natural gas over a specific period; [and]

(2) Identification of the qualified investments that the gas corporation may make in renewable natural gas infrastructure. A qualified investment shall be deemed prudent for any gas corporation when the aggregate of such qualified investments does not exceed:

(a) Five percent of such gas corporation's net plant as reported in the gas corporation's most recent annual report to the commission for any gas corporation with more than twenty-five thousand customers in Missouri; or

(b) Seven and one-half percent of such gas corporation's net plant as reported in the gas corporation's most recent annual report to the commission for any gas corporation with fewer than twenty-five thousand customers in Missouri.

The qualified investment allowed under this section shall apply to a gas corporation's combined gas utility operations and gas service areas located in the state of Missouri. All costs incurred for qualified investments must also be reasonable to be deemed prudent by the commission; and

(3) A timeline for the investment and completion of the proposed renewable natural gas infrastructure.

4. A gas corporation may from time to time revise the filing submitted to the commission under this section no more than one time per year.

5. Any costs incurred by a gas corporation for a qualified investment that are prudent, just, and reasonable may be recovered by means of an automatic rate adjustment clause.

6. The commission shall issue a decision on any filing made by a gas corporation under this section within ninety days of submission when such filing is for a project with an aggregate cost of less than five million dollars. When this section is applicable the commission may exercise the right to extend the review period thirty additional days no more than two times for a total additional review time of sixty days for good cause.

[6.] 7. When a gas corporation makes a qualified investment in the production of renewable natural gas, the costs associated with such qualified investment shall include the cost of capital established by the commission in the gas corporation's most recent general rate case.

[7.] 8. On or before January 1, **[2023]** 2026, the division of energy within the department of natural resources shall provide to the chair of the public service commission, the speaker of the house of representatives, the president pro tempore of the senate, the chair of the senate committee on commerce, consumer protection, energy, and the environment, and the chair of the house of representatives utility committee, a report on the renewable natural gas program established under this section. Such report shall include, but not be limited to, the following:

(1) The number of projects submitted for the renewable natural gas program and the number of projects approved for the renewable natural gas program;

(2) The number of projects that are operational, and the costs, projected and actual, of such projects and other key metrics the division of energy deems important;

(3) The volume of renewable natural gas produced in the state through projects that were approved by the renewable natural gas program as well as the percentage of renewable natural gas produced in relation to the total volume of natural gas sold in the state;

(4) The environmental benefits of renewable natural gas, including but not limited to greenhouse gas reduction as a result of the production of renewable natural gas;

(5) The economic benefits of the renewable natural gas program, including but not limited to local employment, value-added production for the agricultural sector, and other economic development; and

(6) Any economic benefits or other costs to ratepayers.

[8.] 9. Rules adopted by the commission under this section shall not prohibit an affiliate of a gas corporation from making a capital investment in a biogas production project if the affiliate is not a public utility as defined in section 386.020.

[9. The public service commission may promulgate rules to implement the provisions of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to

delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2021, shall be invalid and void.]

10. Pursuant to section 23.253 of the Missouri sunset act, this section and any rules enacted under this section shall expire nine years from the date the commission promulgates rules to implement the renewable natural gas program [is established], unless reauthorized by the general assembly; provided that any rate adjustment authorized by this section shall continue so long as the renewable natural gas program remains in operation and produces renewable natural gas for customer use.