



CRS

center for
resource
solutions

December 14, 2018

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: Docket No. G008/M-18-547. Comments of Center for Resource Solutions (CRS) on CenterPoint Energy Minnesota Gas Petition to Introduce a Five-Year Renewable Natural Gas Pilot Program

Executive Secretary Wolf:

CRS appreciates this opportunity to submit comments on the August 23, 2018 initial filing of a petition to introduce a five-year Renewable Natural Gas (RNG) pilot program ("Petition") by CenterPoint Energy. We generally support the Petition. Our comments address two topics. First, we introduce the Green-e® Renewable Thermal Certification Standard development process, and CenterPoint Energy's sponsorship of that process and its role on the Green-e Renewable Thermal Working Group. Second, we provide general comments on the Petition itself.

Background on CRS and Green-e

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. CRS has broad expertise in renewable energy program design and implementation, and provides technical guidance to policymakers and regulators at different levels on matters related to policy design, renewable energy accounting, tracking and verification, market interactions, and disclosures and consumer protection. CRS also administers the Green-e programs. Green-e is the leading independent certification for voluntary renewable electricity products in North America. For over 20 years, Green-e's verification procedures have ensured that voluntary purchasers of renewable electricity products receive clear and accurate information from their providers and the full environmental benefits and sole ownership of each megawatt-hour (MWh) purchased. CRS, with oversight by the independent Green-e Governance Board, maintains a stakeholder-driven standard development process. In 2017, Green-e certified retail sales of over 60 million MWh, serving over 1.1 million retail purchasers of Green-e certified renewable energy, including 63,400 businesses.¹

Green-e Renewable Thermal Certification Standard and Working Group

CRS is beginning stakeholder engagement to develop the Green-e Renewable Thermal Certification Standard. This independent, third-party administered standard will accompany and complement the existing Green-e certification program for renewable electricity products by addressing the production, sale, and purchase of renewable energy for non-electricity end uses in the voluntary market. The initial focus of this standard and certification program will be on biogas (biomethane), with the potential to

¹ See the 2017 Green-e Verification Report here for more information: <https://resource-solutions.org/g2017/>.

expand to other eligible renewable thermal technologies in the future, including solar thermal and geothermal.

This new Green-e renewable thermal certification program will provide assurances of environmental quality and transparency in the voluntary market so that buyers can be confident in their purchases. CRS is proposing to develop a system to track the associated environmental benefits of each generated biogas unit and ensure that certified biogas meets the most stringent environmental and consumer-protection standards. This program will be the renewable thermal industry's first voluntary-market transaction-focused verification and certification program and standard. It will be available to products offered by sellers sourcing from eligible resources for their retail offerings, as well as large consumers purchasing biogas directly from suppliers. This standard is intended for use in the U.S. and Canada. CRS estimates the timeframe for the development and launch of a new biogas certification program as 12-15 months, including one or more pilot verifications during that timeframe.

As a part of this standard development process, CRS has established the Green-e Renewable Thermal Working Group. The petitioner, CenterPoint Energy, has joined that group as one of several Program Sponsors. The company is helping to directly fund and will be providing input on standard development as a member of the working group. CRS's standard development processes follow international best practices for environmental certification, are stakeholder-driven, including open stakeholder comment periods, and are overseen by the independent Green-e Governance Board.²

General Comments

1. RNG delivered to gas customers through a voluntary program or pilot should not be counted toward renewable energy mandates or compliance programs, but may be counted toward a state goal.

"Regulatory surplus" is a criterion for voluntary renewable energy that identifies supply that is surplus to (in excess of that which gets counted toward meeting) governmental requirements or legal mandates for renewable energy or its generation/production attributes. It is commonly understood that the criterion refers to governmental targets or limits that, first, are associated with a specific policy or program or set of policies/programs, and second, represent a legally-binding requirement or mandate. These can be differentiated from national or state renewable energy aspirations or goals.

The Petition states that the development of renewable options for natural gas end uses, such as the pilot program, will support the achievement of the state's "goal to derive 25 percent of its total energy from renewable energy resources by the year 2025,"³ The Petition refers specifically to Minn. Stat. § 216C.05, Subd. 2: "Energy policy goals. It is the energy policy of the state of Minnesota that: [...] (3) 25 percent of the total energy used in the state be derived from renewable energy resources by the year 2025." CRS has been informed by the Minnesota Department of Commerce that this is a policy goal with no explicit compliance mechanism, and that EIA numbers have been used to measure progress in the 2025 Energy Action Plan. Without specific accounting, compliance reporting, or verification for this policy, we do not believe that it will affect regulatory surplus for voluntary program participants.

² See Green-e Governance Board members here: <http://green-e.org/who#board>.

³ See pg. 10 of the Petition.

In general, we recommend that any approved pilot voluntary program be treated as in excess of and not counted toward mandatory requirements for renewable gas use. Specific verification procedures for the pilot program may be needed for this (see below).

2. Specific verification procedures should be identified and implemented with the pilot program to ensure it can deliver exclusive and real benefits to participants.

CRS recommends that CenterPoint verify that it has exclusively delivered the reported quantity of RNG sold to customers. In order to do this, the RNG or its production attributes should be differentiated from other natural gas in the delivery system and tracked from producer to pilot participants. CenterPoint's "normal natural gas supply procurement processes" may not sufficiently differentiate and allocate fuel attributes to suppliers and customers or verify its specified sourcing claims. While it is not necessary or perhaps possible to demonstrate physical delivery of RNG molecules to CenterPoint customers due to shared gas distribution networks, some contractual path tracking mechanism and verification process is needed to ensure pilot participants are getting what they are paying for, and to avoid double claiming in both the area of production and physical delivery as well as the area of consumption and RNG claim. Once a contractual tracking mechanism for the supply is in place, RNG sales should also be audited to prevent double selling.

CenterPoint proposes to contract for RNG with suppliers that may obtain RNG directly or indirectly from producers, and it anticipates purchasing RNG on the national market for the pilot, meaning most or all of the RNG will come from producers outside of Minnesota.⁴ The company proposes to match customer purchases with contracted RNG amounts. According to the Petition, "The Company will establish procedures to verify the authenticity of the RNG it purchases" and "require suppliers to provide documentation of the authenticity of RNG that CenterPoint Energy purchases and implement appropriate procedures to ensure that any renewable credits or attributes are sold exclusively to CenterPoint Energy along with the underlying gas."⁵ However, "no centralized database for RNG production currently exists"⁶ and there is currently no established market instrument for RNG for thermal uses that is analogous to the renewable energy certificate (REC) in renewable electricity markets.

The Petition references "processes developed to obtain attestations or other verification from producers of RNG" that "were developed to ensure compliance with EPA rules regarding RINs and the California LCFS," which CenterPoint "believes can be adapted to verify RNG sold through the Pilot."⁷ Notwithstanding significant issues with fraud in the renewable identification number (RIN) market,⁸ the verification standards and procedures for a pilot voluntary RNG program should be no less stringent or comprehensive than those of existing low carbon fuel standard (LCFS) and Renewable Fuel Standard (RFS) or potential future thermal RNG mandates. The accounting and verification system for a pilot should also either be synchronized or communicate with contractual path verification used for LCFS and RIN programs where RNG is sourced from common carrier pipelines in order to avoid double counting.

⁴ See pg. 13 of the Petition.

⁵ See pg. 17 of the Petition.

⁶ See pg. 9 of the Petition.

⁷ See pg. 17 of the Petition and footnote 32.

⁸ See, for example, <https://www.emergingenergyinsights.com/2016/10/fraudulent-rin-cases-underscore-continuing-concerns-renewable-fuel-credit-program/>.

We suggest that CenterPoint provide more details on the tracking and verification procedures that will be used for the pilot program, and we recommend that a third-party audit of RNG sales through the pilot program be required.

Please let me know if we can provide any further information or answer any other questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Todd Jones', with a stylized, cursive script.

Todd Jones
Director, Policy and Climate Change Programs