

**TITLE 20 – DEPARTMENT OF COMMERCE AND  
INSURANCE**

**Division 4240 – Public Service Commission  
Chapter 40 – Gas Utilities and Gas Safety Standards**

**PROPOSED RULE**

**20 CSR 4240-40.100 Renewable Natural Gas Program**

*PURPOSE: This rule sets the definitions, structure, operation, and procedures relevant to gas corporations' renewable natural gas programs.*

(1) Definitions.

(A) Energy attribute certificate means a contractual instrument that conveys information about a unit of energy, including the resource used to create the energy and the emissions associated with its production and use.

(B) Pipeline quality standards are standards established in 20 CSR 4240-10.030 Standards of Quality and are applicable to gas utilities submitting applications for approval of a renewable natural gas program.

(C) Renewable natural gas (RNG) means any of the following products processed to meet pipeline quality standards or transportation fuel grade requirements:

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

2. Hydrogen gas that is derived from electrolysis of water using renewable electricity; or

3. 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.

(D) Renewable natural gas rate adjustment mechanism (RNGRAM) means a mechanism that allows periodic adjustments to recover prudently incurred costs and pass-through of benefits of any savings achieved in implementing an approved RNG program.

(E) RNG Attributes means an energy attribute certificate specific to RNG which provides a monetary value besides the value of the natural gas itself.

(2) Applications for approval of a renewable natural gas program. Pursuant to section 386.895, RSMo, a gas corporation may file an application with the commission for approval of a renewable natural gas program. Applications under this rule do not supersede a gas utility's obligation to apply for a certificate of convenience and necessity under section 393.170, RSMo. Applications shall include all applicable requirements under 20 CSR 4240-2.060 and the following:

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

(B) Identification of the qualified investments that the gas corporation may make in renewable natural gas infrastructure;

(C) A description of the ownership structure of the components of the RNG production facilities including but not limited to feed-stock, production, gas treatment, interconnection facilities, by-product, and other components as applicable by facility type;

(D) An explanation of how the utility will match generation with customer usage, be it on a retrospective or percentage basis;

(E) The specific location of the RNG facilities in relation to

the utility's service territory;

(F) Expected production by calendar month;

(G) A description of the RNG plant operation;

(H) All prospective income tax credits;

(I) All prospective sales of Renewable Identification Numbers for RNG;

(J) Supportive direct testimony; and

(K) A cost-benefit analysis, including but not limited to –

1. Reasonably estimated upfront capital costs, broken down by the components referenced in subsection (2)(C) of this rule;

2. Reasonably estimated future capital costs;

3. Reasonably estimated operations and maintenance expenses;

4. If applicable, ongoing costs of procuring RNG or RNG attributes from the facility;

5. Expected useful life of facility components;

6. All supporting work papers with links and formulas intact;

7. A list and explanation of all assumptions utilized;

8. Support for all assumptions utilized, including source documentation;

9. Consideration of the timing of RNG production, including estimates of the amount of RNG produced by month, for the life of the proposed project;

10. Plans and costs to store produced RNG;

11. Estimated cost of procuring the same volume of natural gas from a pipeline, including estimates of the price per million British thermal units (MMBtu) by month for the life of the proposed RNG project; and

12. All alternatives considered for procuring RNG or RNG attributes.

(3) Hydrogen gas programs, for safety and fuel quality reasons, will be evaluated on a case-by-case basis. All proposed hydrogen gas programs must include the requirements in section (2) and –

(A) Description of the impacted service area;

(B) Feasibility analysis;

(C) Analysis of customer-owned equipment and piping to safely convey hydrogen;

(D) Proposed percentage of hydrogen to be mixed in fuel; and

(E) All relevant information to a customer bill that accounts for the differences in heat content of hydrogen compared to natural gas measured in British thermal units (Btu) per hundred cubic feet (Ccf) of fuel.

(4) Cost recovery and pass-through of benefits. A gas utility outside or in a general rate proceeding, and subsequent to or at the same time as the filing of an application in section (2), may file an application and rate schedules with the commission to establish, continue, modify, or discontinue a RNGRAM that shall allow for the adjustment of its rates and charges to provide for recovery of prudently incurred costs and pass-through of benefits as a result of its RNG program or hydrogen gas program. No recovery is allowed until the project is operational and produces RNG for customer use.

(A) At the time a gas utility files proposed rate schedules with the commission seeking to establish, modify, or reconcile a RNGRAM, it shall submit its supporting documentation regarding the calculation of the proposed RNGRAM and shall serve the Office of the Public Counsel (public counsel) with a copy of its proposed rate schedules and its supporting documentation. The utility's supporting documentation shall include workpapers showing the calculation of the proposed

RNGRAM and shall include, at a minimum, the following information:

1. A complete explanation of all of the costs, both capital and expense, incurred for its RNG program that the gas utility is proposing be included in rates and all revenues and the specific account used for each item;

2. The state, federal, and local income or excise tax rates used in calculating the proposed RNGRAM and an explanation of the source of and the basis for using those tax rates;

3. The regulatory capital structure used in calculating the proposed RNGRAM and an explanation of the source of and the basis for using the capital structure;

4. The cost rates for debt and preferred stock used in calculating the proposed RNGRAM and an explanation of the source of and the basis for using those rates;

5. The cost of common equity used in calculating the proposed RNGRAM and an explanation of the source of and the basis for that equity cost;

6. The depreciation rates used in calculating the proposed RNGRAM and an explanation of the source of and the basis for using those depreciation rates;

7. The rate base used in calculating the proposed RNGRAM including an updated depreciation reserve total incorporating the impact of all RNG plant investments previously reflected in general rate proceedings or RNGRAM application proceedings initiated following enactment of the RNG rules;

8. The applicable customer class billing methodology used in calculating the proposed RNGRAM and an explanation of the source of and basis for using that methodology;

9. An explanation of how the proposed RNGRAM is allocated among affected customer classes, if applicable;

10. For purchase of RNG attributes, the cost of the purchases, and an explanation of the source of the RNG attributes and the basis for making that specific purchase, including an explanation of the request for proposal (RFP) process, or the reason(s) for not using a RFP process for the purchase; and

11. Evidence that projects developed pursuant to its approved RNG program are operational and capable of delivering RNG to customers.

(B) A gas utility may effectuate a change in its RNGRAM no more often than one (1) time during any calendar year.

(C) Commission approval of proposed rate schedules to establish or modify a RNGRAM shall in no way be binding upon the commission in determining the ratemaking treatment to be applied to RNG program costs during a subsequent general rate proceeding or prudence review when the commission may undertake to review the prudence of such costs. If the commission disallows, during a subsequent general rate proceeding or prudence review, recovery of RNG program costs previously in a RNGRAM, the gas utility shall offset its RNGRAM in the future as necessary to recognize and account for any such costs. The offset amount shall include a calculation of interest at the gas utility's short-term borrowing rate as calculated in paragraph (4)(D)1. of this rule. The RNGRAM offset will be designed to reconcile such disallowed costs or benefits within the six- (6-) month period immediately subsequent to any commission order regarding such disallowance.

(D) Prudence reviews respecting a RNGRAM. A prudence review of the costs subject to the RNGRAM shall be conducted no less frequently than at intervals established in the commission proceeding in which the RNGRAM is established.

1. All amounts ordered refunded by the commission shall include interest at the gas utility's short-term borrowing rate. The interest shall be calculated on a monthly basis for each

month the RNGRAM rate is in effect, equal to the weighted average interest rate paid by the gas utility on short-term debt for that calendar month.

2. This rate shall then be applied to a simple average of the same month's beginning and ending cumulative RNGRAM over- or under-collection balance. Each month's accumulated interest shall be included in the RNGRAM over- or under-collection balances on an ongoing basis.

(E) A gas utility that has implemented a RNGRAM shall file revised RNGRAM rate schedules to reset the RNGRAM charge to zero (0) when new base rates and charges become effective following a commission order establishing customer rates in a general rate proceeding that incorporates RNG program costs or benefits previously reflected in a RNGRAM in the utility's base rates. If an over- or under-recovery of RNGRAM revenues or over- or under-pass-through of RNGRAM program benefits exists after the RNGRAM charge has been reset to zero (0) that amount of over- or under-recovery, or over- or under-pass-through, shall be tracked in an account and considered in the next RNGRAM filing of the gas utility.

(F) Upon the inclusion of RNGRAM program costs reflected in a RNGRAM into a gas utility's base rates, the gas utility shall immediately thereafter reconcile any previously unreconciled RNGRAM revenues or RNGRAM benefits and track them as necessary to ensure that revenues or pass-through benefits resulting from the RNGRAM match, as closely as possible, the appropriate pretax revenues or pass-through benefits as found by the commission for that period.

(G) The cost of RNG or hydrogen gas shall not flow through the purchased gas adjustment clause unless the cost for the RNG or hydrogen gas, including RNG infrastructure, can be obtained on a comparable basis as natural gas purchased at the city gate of the utility. Amounts collected under the RNGRAM will not be collected though the purchased gas adjustment clause.

(5) Treatment and reporting of RNG attributes. A gas utility may propose, through the application in section (2) of this rule, to procure, utilize, or sell RNG attributes as a part of its RNG program provided that –

(A) All attributes are tracked in a commission approved tracking system that ensures that attributes are tracked from creation to retirement and are verified to be only used once; and

(B) All revenues are passed through to customers as provided for in section (4) of this rule or through a general rate proceeding.

(6) Reporting requirements. Annually, on September 15, a gas utility with an approved RNG program shall report to the commission the following:

(A) A comparison of the total volume of RNG procured over the year compared to its approved RNG program;

(B) To the extent any shortfalls or excess RNG were procured, the gas utility shall describe how it plans to adjust its procurements to match the approved total volume; and

(C) Identification of the qualified investments previously approved through the application in section (2) of this rule that the gas corporation has made operational including all evidence to support that the qualified investments are operational and are capable of delivering gas to customers.

*AUTHORITY: sections 386.250, 386.310, 393.140, RSMo 2016, and section 386.895, RSMo Supp. 2023. Original rule filed May 15, 2024.*

*PUBLIC COST: This proposed rule will not cost state agencies or political subdivisions more than five hundred dollars (\$500) in the aggregate.*

*PRIVATE COST: This proposed rule will not cost private entities more than five hundred dollars (\$500) in the aggregate.*

*NOTICE TO SUBMIT COMMENTS AND NOTICE OF PUBLIC HEARING: Anyone may file comments in support of or in opposition to this proposed rule with the Missouri Public Service Commission, Nancy Dippell, Secretary of the Commission, PO Box 360, Jefferson City, MO 65102. To be considered, comments must be received at the commission's offices on or before July 17, 2024, and should include a reference to Commission Case No. GX-2024-0326. Comments may also be submitted via a filing using the commission's electronic filing and information system at <http://www.psc.mo.gov/efis.asp>. A public hearing regarding this proposed rule is scheduled for July 23, 2024, at 10 a.m., in Room 310 of the Governor's Office Building, 200 Madison St., Jefferson City, Missouri. Interested persons may appear at this hearing to submit additional comments and/or testimony in support or in opposition to this proposed rule, and may be asked to respond to commission questions. Any persons with special needs as addressed by the Americans with Disabilities Act should contact the Missouri Public Service Commission at least ten (10) days prior to the hearing at one (1) of the following numbers: Consumer Services Hotline 1-800-392-4211 or TDD Hotline 1-800-829-7541.*