

# UTILITIES INCREASINGLY PASSING ON PREMIUMS FOR PURCHASE OF CERTIFIED GAS TO CUSTOMERS

## OVERVIEW

- Utilities in Virginia, New York, Michigan, and Vermont have purchased certified gas at a premium and received Public Utility Commission (PUC) approval to pass on those costs to customers. Utilities in New Jersey and Colorado also purchased certified gas at a premium, with regulatory involvement unclear.
- Utilities in Colorado, Massachusetts, and New York are seeking PUC approval to pass on the costs of purchasing certified gas at a premium to their customers.
- Utilities in Massachusetts, New York, Tennessee, Virginia, Washington D.C., Colorado, and Pennsylvania have purchased certified gas at prices competitive with non-certified gas, or at undisclosed prices.
- Utilities in Massachusetts, Minnesota, Pennsylvania, California, Washington, Oregon, and South Carolina have expressed interest in and extended proposals for certified gas procurement.
- Recent state legislation in Tennessee and Virginia that allows utilities to recover certain additional costs for certified gas procurement has propelled increased utility purchases of certified gas in those states.

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## UTILITIES IN SEVERAL STATES HAVE PASSED ON CERTIFIED GAS PREMIUMS TO CUSTOMERS

### VIRGINIA NATURAL GAS APPROVED TO PAY UP TO FIVE PERCENT PREMIUM FOR “NEXTGEN GAS” FROM 2022 AND PASS ON COST TO CUSTOMERS

**Virginia State Corporation Commission Approved Inclusion Of “NextGen Gas” In Virginia Natural Gas’s Supply With Cap On Premiums Up To 5 Percent Above Cost Of Non-Certified Gas.** “Section XX of VNG’s Terms and Conditions to facilitate inclusion of NextGen Gas and RNG in the Company’s gas supply is approved as proposed, and the incremental cost cap of those purchases shall be set at 5% of the total annual projected comparable gas cost that would have been included in the Company’s Purchased Gas Adjustment component of its Quarterly Billing Adjustment, had those purchases not been made.” [Final Order of the Virginia State Corporation Commission, Case No. PUR-2021-00298, [11/22/22](#)]

- **Virginia Natural Gas Initially Sought Approval To Recover Cost Premiums Up To 15 Percent Above The Cost Of Gas Without Certification.** “VNG proposes to recover the commodity costs and any cost premiums associated with RNG and/or NextGen Gas through

VNG's traditional gas cost recovery mechanism as outlined in Section XX of VNG's tariff. The recovery of any cost premiums would be limited to 15% of the total annual projected comparable gas cost for traditional geologic production." [Direct Testimony of Joanne A. Mello, Case No. PUR-2021-00298, [6/9/22](#)]

- **Virginia Natural Gas Cited “Current Cost Prudency Criteria For Fuel Procurement” As Constraint It Sought To Lift In Order To Purchase More Certified Natural Gas.** “VNG has already started to support the reduction of these upstream emissions by purchasing approximately 25% of its gas supply in 2021 from producers who commit to reduce their emissions through improved equipment or operating procedures. However, current cost prudency criteria for fuel procurement can constrain the ability to expand this percentage.” [Direct Testimony of Joanne A. Mello, Case No. PUR-2021-00298, [6/9/22](#)]

### **AS OF 2023, UP TO FIFTY PERCENT OF GAS PURCHASED BY VIRGINIA NATURAL GAS IS CERTIFIED GAS**

**In 2023, Virginia Natural Gas Announced That Up To Half Of The Gas It Purchased Was Now Certified.** “With a continued commitment to reducing greenhouse gas emissions, Virginia Natural Gas (VNG) announced today it has increased the amount of its natural gas supply that is procured, transported or delivered by companies committed to lowering methane emissions as part of the approval of its Sustainable Gas Program by the Virginia State Corporation Commission (VSCC). A leader in the country in the use of responsibly sourced natural gas, VNG recently entered into new agreements with several natural gas suppliers, resulting in up to one-half of its customers' current energy demands being supplied with ‘Next Generation Natural Gas’ as of March 2023.” [PR Newswire, [4/13/23](#)]

- **In 2019, Virginia Natural Gas Announced It Aimed To Be First Natural Gas Utility To Provide Customers With 100 Percent Certified Gas.** “Virginia Natural Gas (VNG) announced today that it aims to be the first natural gas utility in America to provide its customers with natural gas that is 100% sourced, transported and distributed by companies that have pledged to reduce greenhouse gas emissions to less than 1% across the natural gas value chain. And as a down payment on that pledge, it announced a deal to source a large percentage of its annual gas consumption from such companies starting this year. Beginning Nov. 1, VNG will begin purchasing one-fifth of its customers' annual natural gas supply from select wells operated by Southwestern Energy (SWN).” [Virginia Natural Gas Website, [10/24/19](#)]
- **Virginia Natural Gas Purchased MiQ-Certified Gas From BP's Louisiana Wells.** “VNG has entered into its first certified natural gas transaction with bp, a leading natural gas marketer in the US, for natural gas combined with a MiQ methane emissions performance certificate. Beginning in 2023, the certificates that are combined with the natural gas purchased as part of the bp - VNG agreement will be sourced from 70 onshore wells located in bp's Haynesville basin in Louisiana. The certificates have been independently certified by MiQ...” [Virginia Natural Gas Website, [12/5/22](#)]

### **THREE NEW YORK UTILITIES HAVE BEEN APPROVED FOR CERTIFIED NATURAL GAS PILOT PROGRAMS THAT WILL PASS ON PREMIUMS TO CUSTOMERS IN 2023**

### **CON EDISON APPROVED FOR A CERTIFIED NATURAL GAS PILOT IN 2023 WHICH WILL PASS UP TO \$800,000 IN ADDITIONAL COSTS TO CUSTOMERS**

**New York Public Service Commission Approved A Certified Natural Gas Pilot For New York Utility Con Edison In Summer 2023.** “The JP [Joint Plan] also contains provisions that address the transitioning gas market. The terms would authorize Con Edison to implement a Certified Natural Gas Pilot whereby the Company may procure certified gas during the rate period, limited to an annual cost above traditional

supplies of \$800,000 per year and recovered through the GCF [Gas Cost Factor]. Con Edison would be required to: commit to purchase from parties with specified certifications; conduct supplier surveys to gather information regarding supplier work practice standards, greenhouse gas emissions, and methane intensity; and file annual reports detailing progress of the program.” [Department of Public Service Website, [7/20/23](#)]

- **Con Edison Established A Pilot Program For Procuring Certified Gas Which Will Pass Up To \$800,000 More A Year Onto Consumers, Will Recover Costs Through Gas Cost Factor Mechanism.** “The Company will implement a pilot program designed to allow for the procurement of certified gas, during the rate period, limited to an annual cost above traditional supplies of \$800,000 per year. Procured certified gas will be recovered similarly to other natural gas purchases through the [Gas Cost Factor] GCF. [...] In addition, the Company agrees to: a. Limit purchases to those certified as: 1. Project Canary Trustwell Platinum rating; 2. MiQ Grade A rating; and/or 3. Oil and Gas Methane Partnership (‘OGMP’) 2.0, Level 5 rating.” [Department of Public Service Website, [2/16/23](#)]

## **NEW YORK STATE ELECTRIC & GAS CORPORATION AND ROCHESTER GAS & ELECTRIC CORPORATION APPROVED FOR CERTIFIED NATURAL GAS PILOT PROGRAM IN 2023**

**The Two New York Utilities Are Approved To Pass Up To \$250,000 In Certified Gas Premiums Onto Customers.** “The Companies will implement a pilot program designed to allow for the procurement of certified natural gas, during the Rate Plan, limited to an annual cost above traditional supplies of \$250,000 per year per Company. Procured certified natural gas will be recovered similarly to other natural gas purchases through each Company’s Gas Supply Charge.” [Department of Public Service Website, Order Adopting Joint Proposal, [10/12/23](#)]

**Gas Bills For Residential Gas Heating Customers Of Both Utilities Expected To Increase Every Year In Next Three Years.** “Under the new rate plan, a NYSEG [...] residential gas heating customer using an average of 100 therms per month would see an average monthly bill increase of \$4.96 in November of this year, or 3.6 percent, an \$2.13 increase in the second year, or 1.5 percent, and a \$4.10 increase in the third year, or 2.9 percent. Under the new rate plan, an RG&E [...] residential gas heating customer using an average of 100 therms per month would see an average monthly bill increase of \$5.29 in November of this year, or 4.6 percent, an \$5.44 increase in the second year, or 4.5 percent, and a \$5.41 increase in the third year, or 4.3 percent.” [Department of Public Service Press Release, [10/12/23](#)]

- **Approved Gas Cost Increases Were Far Below The Increases The Utilities Sought; Negative Rate Adjustments Were Imposed As Consequence Of Poor Customer Service Metrics.** “Considering the companies’ recent customer service metrics and the ongoing investigation into billing and complaint issues at the two utilities, the joint proposal includes negative rate adjustments totaling \$18.5 million to be applied for ratepayer benefit and used to lower rates going forward. The negative rate adjustments are company financial enforcement payments for missing specified billing and customer service metrics. The \$18.5 million negative rate adjustment represents a significant financial consequence for missing the consumer service metrics. Meanwhile, the Department and the Commission continue to investigate potential aspects related to billing complaint increases at the companies. Moreover, going forward, If the companies miss any future individual consumer service metrics for two years consecutively, the negative rate adjustment penalty would double to \$37 million. Under its initial proposal, the companies sought a total of \$447 million in the first year while the rates approved today provided \$217.3 million in the first year, roughly 50 percent less.” [Department of Public Service Press Release, [10/12/23](#)]

## **MICHIGAN UTILITY DTE PURCHASED “RESPONSIBLY SOURCED GAS” AT A PREMIUM FOR 2022-2023, APPROVED TO PASS ON THE COST TO CUSTOMERS WITH A WARNING FROM THE COMMISSION**

**DTE Gas Company Filed Its Gas Cost Recovery Plan For 2022-2023 With The Michigan Public Service Commission (MPSC).** [MPSC Website, Accessed [10/12/23](#)]

- **DTE Sought Approval From MPSC To Recover From Customers \$36,808 Premium Paid For Purchasing Responsibly Sourced Gas.** “The Company is seeking recovery for the RSG purchase of 674,100 Dth of gas. The commodity cost would have been incurred whether the gas was traditional or RSG, as the gas is needed to meet requirements. The \$36,808 premium is incremental and is becoming a new industry standard for lower methane gas.” [DTE Gas Company’s Initial Brief, MPSC Case No: U-21064, [12/19/22](#)]

## **THE MPSC WARNED THAT PREMIUMS MAY NOT BE RECOVERABLE**

**MPSC Warned DTE That The Premium For Purchasing Responsibly Sourced Gas May Not Be Recoverable.** “According to Staff, because the RSG requires a premium in order to achieve certification, and is not a more reliable source of supply than gas that is not RSG certified, the RSG premium should not be deemed a reasonable or prudent source of supply under Act 304 as it is currently written. Staff recommends that the Commission issue DTE a section (7) warning indicating that the premiums associated with the purchase of Responsibly Sourced Gas may not be recoverable in future GCR plans and reconciliations.” [Michigan Public Service Commission Staff’s Initial Brief, Case No. U-21064, [12/19/22](#)]

## **MICHIGAN’S ATTORNEY GENERAL ARGUED THAT PREMIUMS SHOULD NOT BE RECOVERABLE, CITING CONCERN WITH “NASCENT, UNPROVEN TECHNOLOGY”**

**Michigan’s Attorney General Urged The MPSC To Determine That Recovery Of Premiums From Purchasing Responsibly Sourced Gas Is Not Permitted Under Act 304.** “The AG addressed this in her brief, providing substantial evidence that 1) Act 304 does not permit the company to recover excess costs over the cost of the commodity that would otherwise be avoided by purchasing alternative gas supply and 2) that DTE has not supported what actual greenhouse gas reduction benefits will be or otherwise shown that its proposal is reasonable. [...] Accordingly, the Commission should determine that recovery of RSG premiums is not permitted under Act 304 and should issue a warning to the company under Section 7 of Act 304 that payments for RSG premiums may not be recoverable in future GCR reconciliations.” [Attorney General’s Reply Brief, MPSC Case No. U-21064, [1/9/23](#)]

- **Michigan Attorney General Cited Concern With “Nascent, Unproven Technology” In Opposing Certified Gas Purchase.** “[the Attorney General] asserts the RSG proposal is unnecessary and unsupported at this time because as it is based on nascent, unproven technology and the Company has not supported that the emission reductions are worth the premiums paid for the third-party certification. The Attorney General recommends that the Commission determine DTE Gas’s proposal is incomplete and does not establish what effect RSG will actually have on emissions.” [Proposal For Decision, Case No. U-21064, [7/13/23](#)]
- **Attorney General Argued That DTE’s Shareholders, Not “Captive Customer Base,” Should Bear The Cost Of Their Net Zero Commitments.** “The AG replies that merely because DTE makes a public commitment to do something does not mean that the decision is reasonable and prudent, such that it may pass elevated costs along to customers. These commitments are made for the sake of appearances and to garner goodwill with the public. While there may well be good rationales for undertaking such stances and commitments, including reducing greenhouse gas

emissions, additional costs should be borne by Company shareholders and not its captive customer base.” [Attorney General's Replies to Exceptions, MPSC Case No. U-21064, [8/17/23](#)]

## **DTE WAS ALLOWED TO RECOVER THE COSTS OF ITS CERTIFIED GAS PURCHASE FROM CUSTOMERS**

### **MPSC Approved DTE's Gas Cost Recovery Plan, Including Passing On Premium To Customers.**

“The MPSC approved DTE Gas Co.’s gas cost recovery (GCR) plan for 2022-2023 with several revisions and a Section 7 warning about some costs (Case No. U-21064). The Commission authorized DTE Gas to implement a maximum GCR factor of \$5.07 per Mcf and a supplier of last resort charge of 45 cents per Mcf for GCR customers and 30 cents per Mcf for Gas Customer Choice customers. The Commission also issued a warning under Section 7 of Public Act 304, MCL 460.6j, that a premium of \$36,808 the company paid for third-party certified responsibly sourced gas may not be recoverable in future reconciliation cases without clearly demonstrating benefits to customers.” [Michigan Public Service Commission Press Release, [10/12/23](#)]

- **The Michigan Public Service Commission Issued A Warning About This Premium, Cites Insufficient Evidence Of Benefit To Customers, But Leaves Door Open To Future RSG Premiums.** “While the Commission recognizes the potential value in RSG, it agrees with the ALJ, the Attorney General, and the Staff, and finds that a Section 7 warning should be issued for the premium payment for RSG. However, this decision is based on the lack of support on the record for this purchase and is not an indication that all RSG procurement is imprudent. The Commission’s finding that a Section 7 warning is warranted does not preclude DTE Gas from requesting recovery of the expense as part of a future rate case or expedited pilot case, or from providing additional support for the requested premium as part of the reconciliation of costs in the instant case. [...] Similarly, should the company seek to recover all or a portion of RSG premiums in its reconciliation case or in future filings, it will need to see fuller support for the expected benefits to its customers compared to the additional costs incurred from emergent third party certifications such as those verifying RSG.” [Michigan Public Service Commission Order, [10/12/23](#)]

## **VERMONT GAS SYSTEMS ADDED 15 CENTS PER MONTH TO CUSTOMERS' BILLS TO PURCHASE CERTIFIED NATURAL GAS FROM CANADA IN 2020, FILED ITS CONTRACT CONFIDENTIALLY WITH VERMONT PUC**

**2020: Vermont Gas Systems Estimated 15 Cents Per Month Increase In Customers' Bills To Buy Canadian Producer's Certified Gas.** “VGS today announced it has added certified, responsibly developed thermal energy into its system that serves more than 53,000 homes and businesses in Addison, Chittenden and Franklin counties. [...] The responsibly sourced energy makes up approximately 10 percent of the VGS supply and is now flowing directly to customers. [...] The responsibly sourced natural gas is produced in Alberta, Canada and delivered to VGS through the TransCanada pipeline. VGS estimates this new clean energy measure will add about 15 cents per month to the average residential customer’s heating bill.” [Vermont Gas Systems Website, [11/10/20](#)]

- **2019: Vermont Gas Hoped “Responsibly Fracked Gas” Would Become “Its Standard Offering.”** “Part of the demand for greener gas is being driven by utilities, which are looking for more information on the gas they purchase as they seek to satisfy growing consumer demand for cleaner energy. Richmond, Va.-based Dominion Energy Inc. launched a procurement process this year for gas deemed to have been responsibly sourced, and Vermont Gas Systems Inc. plans to release a request for proposals in the fall. Vermont Gas hopes that responsibly fracked gas ultimately will become its standard offering. ‘Our goal is to stimulate responsible production and transportation,’ Chief Executive Don Rendall said.” [Wall Street Journal, [8/22/19](#)]



**2021: Vermont Gas Systems Filed Its Contract Procuring Certified Gas Confidentially With The Vermont Public Utility Commission.** “Nonpublic confidential information concerning competitively sensitive contract provisions in: 1. CONFIDENTIAL Attachment PSD.VGS.1-16.1 (Seven Gen Contract): Baseload supply at Dawn of EO Certified responsibly produced supply for VGS’s firm customers [...] This material includes confidential, competitively sensitive contract provisions. Such information is competitively sensitive and confidential because disclosure would signal the Company’s current negotiation position with vendors, potentially leading to inflated or deflated future offers and bids, and would inhibit the Company’s ability to contract generally. VGS is and expects to be regularly engaged in similar acquisition and contracts. This material has not been made public, as set forth below. [...] Pricing information and other competitively sensitive contract provisions should be kept confidential for five (5) years after termination of the contract.” [Vermont Public Utility Commission Website, Case 21-0898-TF, Averment 2 (Gas Supply), [4/5/21](#)]

## **NEW JERSEY UTILITY NJNG FIRST PURCHASED CERTIFIED GAS IN 2018, PASSED “ENVIRONMENTAL IMPROVEMENT” COSTS ONTO CUSTOMERS**

**New Jersey Natural Gas (NJNG) Made A Deal With Southwestern Energy Co. To Acquire Certified Gas.** “Southwestern Energy Co. this month struck a deal with a New Jersey utility to sell gas at a premium to local Appalachian index prices. The contract was reached with New Jersey Natural Gas (NJNG) for volumes produced from a group of wells in West Virginia that were certified by Texas-based Independent Energy Standards Corp.’s (IES) TrustWell Responsible Gas Program. Terms of the agreement were not disclosed.” [Natural Gas Intel, [9/21/18](#)]

- **This Was The First Purchase of “Responsible” Gas Certified By IES, Now Project Canary.** “Utilities have been among the early purchasers of certified gas. New Jersey Natural Gas Co. purchased an undisclosed volume from Southwestern in September 2018, marking the first public transaction for responsible gas supplies certified by Independent Energy Standards Corp., which merged with Project Canary in August 2020.” [S&P Global, [9/14/21](#)]

**NJNG Transferred Costs Of Environmental Improvements And Supply To Consumers.** “Delivery Charge (DEL): This fee is for the delivery of natural gas and the maintenance of the distribution system. It also includes approved price adjustments related to balancing natural gas deliveries, variances from normal weather and societal benefits programs, including environmental improvements and New Jersey’s Clean Energy Program™. Basic Gas Supply Service (BGSS): This fee is for the cost of natural gas supply to those customers who have not chosen a third-party supplier. The cost of natural gas is incurred by NJNG and is passed directly on to our customers. NJNG makes no profit on the BGSS charge.” [NJNG WEBSITE, accessed [10/12/23](#)]

**NJNG Paid A Premium For Certified Gas Compared To Local Appalachian Index Prices.** “The first purchase of certified natural gas was in 2018, when Southwestern Energy Co. publicly announced that it struck a deal to sell RSG gas to utility New Jersey Natural Gas (NJNG) from a group of wells in West Virginia for a premium to local Appalachian index prices.” [Payne Institute, [June 2023](#)]

- **American Gas Association Claimed NJNG Paid A “Slight” Premium, Didn’t Need To Seek Regulatory Approval.** “NJNG paid a slight premium. Prior regulatory approval was not sought as the volume was small and had no effect on the utility’s overall fuel costs.” [American Gas Association Green Tariffs & Differentiated / Certified Lower Methane Gas Summary and Tracker, [11/9/21](#)]

## **SEVERAL UTILITIES ARE CURRENTLY SEEKING APPROVAL TO PURCHASE CERTIFIED GAS AND PASS ON PREMIUMS TO CUSTOMERS**

## **IN COLORADO, XCEL ENERGY HAS PURCHASED CERTIFIED GAS FOR A PREMIUM AND IS SEEKING PUC APPROVAL TO SCALE UP PURCHASES**

## XCEL ENERGY FIRST PURCHASED CERTIFIED GAS AT A PREMIUM IN 2021

**Xcel Energy Became One Of The First Utilities To Purchase Certified Gas In 2021.** “Electric and gas utility Xcel Energy on Wednesday agreed to buy natural gas for its Colorado customers produced with tight greenhouse emissions controls, making it one of the earliest major utilities to embrace certified lower-carbon gas. The pilot project comes as energy companies are striving to cut carbon emissions to gain support of consumers and investors. [...] Crestone Peak Resources will supply the utility with ‘responsibly sourced gas’ certified by Denver-based Project Canary, which supplies continuous monitoring technology and a certification process to give an emissions rating for natural gas.” [Reuters, [5/12/21](#)]

- **Xcel’s First Certified Gas Pilot Began Spring 2021, Ended Winter 2022.** “In May of 2021, Xcel Energy announced its first purchase of CNG for the distribution system in Colorado. The gas methane intensity is certified and monitored by Project Canary and produced by Crestone Resources. [...] The pilot currently provides enough gas to heat about 20,000 homes per day and will continue through winter of 2022.” [Xcel Energy Website, Minnesota Public Utilities Commission Docket No. G002/GR-21-678, Direct Testimony of Jeff R. Lyng, [1/1/21](#)]
- **Xcel Energy Paid A Premium For Its First Purchase Of Project Canary- Certified Gas.** “The utility will pay a premium to Crestone Peak Resources, which minimizes methane leakage in the production and transport of natural gas by continuously monitoring activity through Project Canary’s technology. The results, which will be tracked starting this spring through early 2022, will be third-party certified by the Payne Institute at the Colorado School of Mines.” [Utility Dive, [5/13/21](#)]
  - **At The Time Of This Purchase, Project Canary’s CEO Knew Of 17 Instances Of Buyers, Mostly Utilities, Who Paid Premiums For Certified Gas.** “This is driven by the buy-side of the market. Many people expect this to be driven by the regulatory side, but there have been 17 trades where a buyer, mostly utilities, have paid a premium’ for a lower emissions certification, [Project Canary CEO] Romer said. Project Canary certified 13 of those 17 deals, he said.” [Utility Dive, [5/13/21](#)]

## COLORADO PASSED A CLEAN HEAT LAW IN 2021 DESIGNED TO PUSH UTILITIES TO REDUCE GREENHOUSE GAS EMISSIONS

**Colorado Passed A Law Requiring All Gas Utilities With More Than 90,000 Customers To File Clean Heat Plans.** “Section 1 of the act defines a ‘gas distribution utility’ (GDU) as a gas public utility with more than 90,000 retail customers. The bill requires each GDU to file a clean heat plan (plan) with the public utilities commission (PUC). A plan must demonstrate how the GDU will use clean heat resources to meet clean heat targets (targets) established by the act. The targets are a 4% reduction below 2015 greenhouse gas (GHG) emission levels by 2025 and 22% below 2015 GHG emission levels by 2030.” [Colorado General Assembly Website, Accessed [2/5/24](#)]

## TO COMPLY WITH THIS LAW, XCEL ENERGY PROPOSED A CLEAN HEAT PLAN IN 2023 WHICH WOULD RAPIDLY SCALE UP ITS CERTIFIED GAS PURCHASING

**Xcel Energy’s Proposed Clean Heat Plan For 2024-2028 Involved Purchasing Rapidly Increasing Amounts of Certified Natural Gas (CNG).** “The Company provided assumptions for CNG volumes, baseline leakage rates, CNG leakage rates, and cost premiums. CNG blending by volume starts at 25% in 2025 and increases to 100% in 2030. [...] The model includes a conservative and optimistic outlook for CNG based on a cost premium range of \$0.05-0.10/MMBtu.” [Proceeding No. 23A-0392EG, Hearing Exhibit 102, Accessed [1/31/2024](#)]

**Xcel Energy Committed To Procuring 100 Percent Of Its Gas Supply From Certified Producers By 2030.** “The Company has committed to procuring 100% of our supply from certified producers by 2030 for both the gas LDC and our gas-fired electric generating units.” [Proceeding No. 23A-0392G, Hearing Exhibit 106, Page 14 of 27, Accessed [10/11/23](#)]

- **Xcel Energy Sought Approval To Purchase Certified Natural Gas For One Year At A Premium From Williams.** “...the Company is proposing a one-year purchase of CNG, and the related environmental attributes, from Williams, a large and well-established mid stream gas company. As discussed in the attached Memorandum of Understanding, Attachment SML-1, Williams has provided the Company with an indicative offer to sell CNG at a volume of 25,000 MMBtu per day of physical natural gas and its associated Environmental Attributes, for an initial term of 1-year. The Environmental Attributes are proposed to be sold at a small premium, which is reflected in the submitted Clean Heat budget.” [Hearing Exhibit 106, Page 12 of 27, Accessed [10/11/23](#)]

**THE PROPOSED CLEAN HEAT PLAN ANTICIPATED THAT CUSTOMERS WOULD PAY PREMIUMS FOR CERTIFIED NATURAL GAS, AND HIGHER PREMIUMS IN FUTURE THAN IN PAST**

**Xcel Energy Anticipated That A “Modest Premium” Would Be Required For Purchasing Certified Natural Gas Going Forward, And That Future Premiums Could Be Higher Than Past Premiums.** “The Company anticipates that a modest premium will be required for the environmental attributes related to CNG relative to conventional natural gas. [...] Given that this market is in its infancy, there is no price transparency at this point on which to base future cost estimates. However, since the Company’s plans call for more fulsome measurement processes, we anticipate that our future purchases could be higher than the premiums to date in other jurisdictions.” [Proceeding No. 23A-0392G, Hearing Exhibit 106, Page 14 of 27, Accessed [10/11/23](#)]

- **Direct Testimony From Xcel Energy’s Energy and Environmental Policy Manager Dr. Sydnie M. Lieb Indicated That Customers Would Pay A Premium For Certified Natural Gas [CNG].** Dr. Lieb: “...in the event that the Commissions approves CNG attribute procurement, Public Service customers will pay a small premium for the emission benefits associated with CNG.” [Proceeding No. 23A-0392G, Hearing Exhibit 106, Page 16 of 27, Accessed [10/11/23](#)]

**Xcel Energy Anticipated That Its Certified Gas Premiums Would Cost An Additional \$2.4 Million In 2026, \$4.6 Million In 2027, \$6.2 Million In 2028, \$7.1 Million In 2029, And \$7.1 Million In 2030.** [Proceeding No. 23A-0392EG, Hearing Exhibit 102 - Attachment DRA-1: E3, Page 60 of 71, Accessed [10/11/23](#)]

- **Direct Testimony From Jack W. Ihle, Director Of Regulatory And Strategic Analysis At An Xcel Energy Subsidiary, Indicated That Xcel Energy Anticipated A Premium Of Between \$0.10-\$0.20/mmBtu For Certified Gas.** “Another step we are considering is to obtain natural gas associated with gas additions to our generating fleet from ‘certified’ or ‘responsibly-sourced’ natural gas (‘RSG’) sources. [...] Based on our research, we believe that this higher-standard type of natural gas sourcing can be obtained for a relatively small cost increase of between \$0.10 per mmBtu and \$0.20 per mmBtu.” [Proceeding No. 21A-0141E, Hearing Exhibit 102, [3/31/21](#)]

**AFTER PUSHBACK, XCEL ENERGY DROPPED CERTIFIED GAS FROM ITS CLEAN HEAT PLAN, BUT CONTINUED TO SEEK APPROVAL OF CERTIFIED GAS PURCHASING FROM PUC**

**Xcel Energy Dropped Certified Gas Provisions Of Emissions Reduction Plan After Pushback In Late 2023 But Continued To Seek Approval Of Certified Gas In Ongoing Rate Case Proceeding.** “Xcel Energy Inc. subsidiary Public Service Co. of Colorado revised its first Colorado clean heat plan after



stakeholders challenged the proposal's reliance on certified natural gas and carbon offsets to achieve state-mandated greenhouse gas emissions reductions. The utility, which does business as Xcel Energy in Colorado, will no longer seek permission to count certified gas and carbon offset purchases toward the emissions reduction target. However, Xcel will still seek approval to purchase certified gas as part of the proceeding." [S&P Global, [11/13/23](#)]

- **Xcel Energy Continued To Propose Purchasing Same Volume Of Certified Gas As In Clean Heat Plan, And Recover Same Cost Through Different Mechanism.** "Despite removing certified gas from its clean heat target accounting, Xcel urged the PUC to use the proceeding to consider the resource's potential to support the state's overarching goal to reduce economywide emissions 50% from 2005 levels by 2030. To that effect, Xcel proposed purchasing the same volume of certified gas proposed in its initial preferred portfolio. The company would recover the cost of purchasing the physical certified gas and credits linked to its environmental benefits through its gas cost adjustment mechanism. Previously, it proposed recouping environmental attribute costs through an adjustment under the clean heat plan." [S&P Global, [11/13/23](#)]

### **IN MINNESOTA, XCEL ENERGY RECENTLY INFORMED MINNESOTA PUBLIC UTILITIES COMMISSION OF ITS CERTIFIED GAS PURCHASING GOAL**

### **MINNESOTA PASSED THE NATURAL GAS INNOVATION ACT IN 2021**

**A 2021 Minnesota Law Aimed To Help Natural Gas Utilities "Innovate" To Reduce Emissions And Recover Costs Of Pilot Projects.** "A new Minnesota law aims to help natural gas utilities innovate and diversify their businesses as the state works to eliminate carbon emissions. The Natural Gas Innovation Act encourages gas companies to file with regulators 'innovation plans' that decarbonize their operations. Utilities can recover costs of pilot projects and use results to meet their goals in the state's Conservation Improvement Program. The legislation is aimed at helping gas utilities to introduce renewable natural gas, develop hydrogen-based fuels from renewables, fund energy efficiency projects, and encourage district energy, carbon capture and geothermal heating." [Energy News Network, [7/21/21](#)]

### **XCEL ENERGY SUBMITTED ITS PLAN TO COMPLY WITH THE NATURAL GAS INNOVATION ACT IN LATE 2023; PLAN INCLUDED CERTIFIED GAS PURCHASING**

**Xcel Energy Informed The Minnesota Public Utilities Commission (MPUC) Of Its Goal To Influence Natural Gas Suppliers By Purchasing Exclusively Certified Gas By 2030.** "Influence natural gas suppliers [...] Purchase exclusively natural gas with certified low-methane emissions by 2030." [Minnesota Public Utilities Commission Website, Docket No. G999/CI-21-566, NGIA Plan Exhibit R – Page 6 of 28, [1/3/24](#)]

- **Xcel Energy Included Certified Gas Purchases In Its Net Zero Vision (NZV).** "In pursuit of our NZV, we are working to advance a portfolio of greenhouse gas reduction solutions and innovative technologies across including: [...] Supply: lower-greenhouse gas fuels including certified low-methane emission natural gas, clean hydrogen, and renewable natural gas." [Minnesota Public Utilities Commission Website, Docket No. G999/CI-21-566, Natural Gas Innovation Act (NGIA) Plan, [1/3/24](#)]

### **SEVERAL MASSACHUSETTS UTILITIES HAVE EXPRESSED INTEREST IN CERTIFIED GAS TO THE MASSACHUSETTS DPU; SOME HAVE PURCHASED IT AT NO PREMIUM; ONE SEEKS APPROVAL TO PASS ON PREMIUMS**

**In 2020, The Massachusetts Department Of Public Utilities (DPU) Opened An Investigation Into The Role Of Local Gas Distribution Companies In Helping Achieve Massachusetts' Target 2050 Climate Goals.** [Department of Public Service Website, [Docket 20-80](#)]

- **In 2023, The DPU’s Concluding Order On Regulatory Principles And Framework Did Not Recommend Or Prohibit Certified Gas.** [Docket 20-80, Order On Regulatory Principles And Framework, [12/6/23](#)]

**TWO MASSACHUSETTS UTILITIES INFORMED THE DPU THAT THEY HAD PURCHASED CERTIFIED GAS AT NO PREMIUM; ONE REQUESTED THAT DPU AUTHORIZE RECOVERY OF FUTURE PREMIUMS**

**NSTAR Gas Company And Eversource Gas Company Jointly Informed The DPU As Part Of This Investigation That They Had Purchased Certified Gas At No Premium Between 2021 And 2022.**

“Currently, the Company is receiving 5,000 Dth/d of production certified gas (‘PCG’) from Southwestern Energy Services Company into the Tennessee Gas Pipeline (‘TGP’) as a pilot. The pilot does not increase any customer costs nor does it require additional infrastructure or any modifications to existing infrastructure. The pilot is currently underway and is a year in length; it began on November 1, 2021. [...] The pilot described above in part (a) comes at no incremental cost to customers as rates remain the same on the existing gas supply contracts. [...] While some suppliers in the marketplace are offering PCG at premiums to traditional supply area market indices, the PCG market is still nascent. Any quantifiable costs to certify gas today are part of the inherent operating costs of producers and reflected in the market price if not specifically separated as a certificated gas product with associated premiums. The Company is hopeful that a federal standard will be established and market forces will evolve such that there will not be inefficiencies in the marketplace due to varying standards and regulations.” [Docket No. 20-80, Information Request: DPU-Eversource 1-1, [6/6/22](#)]

**Within The Investigation, EverSource Sought DPU Support To Add A Production Certified Gas (PCG) Premium For Customers.** “To enable execution of this initiative, Eversource will need support from the DPU to broaden the standards used to review LDC supply purchases and long-term contracting, together with any tariff adjustment if there is a PCG price premium (adder). [...] Eversource envisions the following as key activities for PCG: [...] Quantify any cost impact on consumers of increased PCG volumes procured at scale.” [Docket 20-80, EverSource DPU Filing, [3/18/22](#)]

- **EverSource Requested The DPU Authorize Cost Recovery For The Company’s PCG Contracts.** “From a regulatory support perspective, Eversource is requesting the Department authorize the following: Allow for the cost recovery of PCG contracts, which will be subject to DPU approval prior to execution. Allow companies to identify ways to offer PCG solutions to customers requesting them.” [Docket 20-80, EverSource DPU Filing, [3/18/22](#)]

**TWO OTHER MASSACHUSETTS UTILITIES INCLUDED CERTIFIED GAS IN THEIR NET ZERO PLANS SUBMITTED TO THE DPU**

**Berkshire Gas Company Submitted A Net Zero Plan As Part Of This Investigation Which Included A Certified Natural Gas Customer Option.** “Although RNG markets are at a relatively early stage, Avangrid affiliates have active and proposed RNG projects. Project groups have been set up. Expandable to Berkshire; envision customer option. • Supply RFP will include certified natural gas alternative.” [Docket 20-80, Berkshire Gas Company Net Zero Enablement Plan, [4/15/22](#)]

- **Berkshire Gas Company Previously Worked To Pass The Tennessee Gas Pipeline Certified Gas Proposal.** “Worked with Tennessee Gas Pipeline on proposed ‘certified purchase points’ tariff filed at FERC.” [Docket 20-80, Berkshire Gas Company Net Zero Enablement Plan, [4/15/22](#)]
- **Other Utilities Owned By Berkshire Gas Company’s Parent Company Avangrid Have Been Approved To Pass On Premiums For Certified Gas Pilots Onto Customers.** [New York Public Service Commission, Order Adopting Joint Proposal, [10/12/23](#)]

**Fitchburg Gas and Electric Light Company's (Unitil's) Net Zero Enablement Plan Submitted As Part Of The DPU Investigation Cited Consultant Report Recommending Certified Gas.** "The recommended additional near-term actions include investigating the deliverability of biomethane, hydrogen, and synthetic gases from a broader range of sources and regions. The Consultants also recommend investigating Certified Natural Gas ('Certified Gas'), which can reduce the overall environmental impact of natural gas use. The Consultant Report points out that early action on these fuels could help clarify their role in supporting the Commonwealth's decarbonization goals and promote scalability toward decarbonization." [Docket 20-80, Net Zero Enablement Plan, [3/18/22](#)]

- **An Independent Consultant Report Filed By The Local Distribution Companies As Part Of The DPU Investigation Recommended That The Companies Investigate Procuring Certified Natural Gas.** "Finally, the Consultants recommend investigating certified natural gas (certified gas), which reduces upstream emissions from the production of natural gas. Importantly, upstream natural gas emissions are not included in the Massachusetts GHG inventory, but certified gas measures can nonetheless reduce the overall environmental impact of natural gas use, even as its use declines." [Docket 20-80, Regulatory Designs Report, [3/18/22](#)]

**NEW YORK UTILITY CENTRAL HUDSON GAS AND ELECTRIC CORPORATION HAS PURCHASED CERTIFIED GAS AT NO ADDED COST AND IS SEEKING APPROVAL OF UP TO \$200,000/YR PREMIUM**

**Central Hudson's Rate Case Proceeding Is Ongoing Before The New York Department Of Public Service As Of February 2024.** [New York Department of Public Service Website, Case No. 23-E-0418/23-G-0419, Accessed [2/1/24](#)]

**Central Hudson Began Procuring "Responsibly Sourced Gas" In 2022.** "The Company began requesting separate pricing and availability of RNG in 2021 and RSG since early 2023 in each of its periodic competitive supply RFPs. The Company was successful in securing RSG as base supply during the summer of 2022 (May through October) under a Research and Development pilot project. Further, the Company was successful in procuring RSG base gas supplies below the annual weighted average cost of 'standard' natural gas as part of its competitive RFP process. The Company procured RSG for its base supply for the April through October 2023 summer season." [New York Department of Public Service Website, Case No. 23-E-0418/23-G-0419, Electric and Gas Procurement Panel Testimony, [7/31/23 \(PDF\)](#)]

- **Central Hudson Has Prioritized Purchasing RSG When Possible; Is Required To Seek Lowest Reasonable Gas Supply Purchase Costs.** "In support of the CLCPA's decarbonization efforts, Central Hudson has prioritized the purchase of RSG over traditionally sourced gas when possible. As detailed in the Electric and Gas Procurement Panel testimony, Central Hudson is currently required to seek the lowest reasonable natural gas and electric supply purchase costs for its customers, subject to reliability and contractual constraints. The Company will continue to request separate pricing for RSG as part of its periodic competitive supply RFPs and will purchase RSG when competitive RFP pricing is at or less than the weighted average cost of natural gas supply." [Case No. 23-E-0418/23-G-0419, Climate Leadership and Sustainability Panel Testimony, [7/31/23 \(PDF\)](#)]

**Central Hudson Sought Authorization To Procure RSG At A Premium When Incremental Cost Does Not Exceed \$200,000 Annually.** "The Company has been including RSG as an alternative in its periodic supply RFPs. The Company intends to select RSG when competitive RFP pricing is at or less than the weighted average cost of natural gas supply. Further, the Company is seeking authorization to procure RSG when RSG offers are higher than the annual weighted average cost of 'standard' gas to the extent that the incremental cost in a supply year (April through March) does not exceed \$200,000. The environmental and societal benefits of procuring RSG are described in detail by the Climate Leadership and Sustainability Panel." [Electric and Gas Procurement Panel Testimony, [7/31/23 \(PDF\)](#)]

**TWO OTHER NEW YORK UTILITIES ARE JOINTLY SEEKING REGULATORY APPROVAL OF LONG-TERM PLAN THAT INVOLVES INCREASED CERTIFIED GAS PURCHASING**

**ConEd And Orange And Rockland Utilities, Inc. Proposed Three Pathways For Long-Term Gas Delivery Service And Emissions Reduction, And Declined To Select Which Pathway They Intend To Follow.** “In this GSLTP, the Companies evaluate three representative pathways (Reference, Hybrid, and Deep Electrification) that represent potential end states. [...] The Reference Pathway reflects the current legal and policy framework and does not achieve state or city net zero greenhouse gas emissions goals. [...] The Hybrid Pathway is further refined from our existing GLRP and incorporates both clean electricity and low-carbon gaseous fuels (‘LCFs’) and meets the State’s economy-wide greenhouse gas emissions goals. [...] The Deep Electrification Pathway incorporates the assumptions of the Climate Action Council (‘CAC’)/ New York State Energy Research & Development (‘NYSERDA’) integration analysis and meets the State’s economy wide greenhouse gas emissions goals. [...] The Companies have not selected a single, preferred pathway because we strongly believe it is premature to do so at this time.” [Case No. 23-G-0147, Final Long-Term Gas System Plan, Item No. 39, [11/29/23](#) (PDF)]

- **The Companies’ “Hybrid” Pathway To Emissions Reduction Envisioned Certified Gas Procurement Beginning In 2024 And Scaling Up Quickly.** “The Companies will begin procuring certified natural gas in 2024 until such time as future gas deliveries can be met with LCFs. By 2030, approximately 73% of fossil natural gas delivered is Certified Gas, and by 2033 all remaining fossil natural gas needs are met through the procurement of certified gas.” [Final Long-Term Gas System Plan, Item No. 39, [11/29/23](#) (PDF)]
- **The Companies’ “Deep Electrification” Pathway To Emissions Reduction Envisioned Certified Gas Procurement Scaling Up Quickly, With Overall Gas Purchasing Volumes Declining Over Time.** “The Deep Electrification Pathway envisions only a limited role for LCFs in the gas distribution system. Despite this limited role, it is important that the Companies be empowered to pursue these resources immediately. By 2030, we expect that 70 – 75% of all fossil natural gas procurement will be certified gas, and that by 2033, all fossil natural gas procurement will be certified gas. However, fossil natural gas procurement will decrease markedly over time as sales decline and RNG begins to enter the system. By 2050, LCFs will displace fossil natural gas altogether.” [Item No. 39, [11/29/23](#) (PDF)]

**The Companies’ Model Assumed A \$0.10/Dt Premium For Certified Gas Purchases Over Non-Certified Gas Purchases.** [Item No. 39, [11/29/23](#) (PDF)]

**TENNESSEE HAS SEEN SEVERAL RECENT DEVELOPMENTS SUPPORTING THE INCREASED SALE AND PURCHASE OF CERTIFIED GAS, AND RECOVERY OF COSTS FROM CONSUMERS**

**TENNESSEE LEGISLATURE PASSED LAW AUTHORIZING RECOVERY OF COSTS RELATED TO “INNOVATIVE” GAS DEPLOYMENT INCLUDING “RESPONSIBLY SOURCED GAS”**

**The Tennessee Natural Gas Innovation Act of 2022:** “This bill authorizes a public utility to request, and the Tennessee public utilities commission to authorize, a mechanism to recover the costs related to the use or development of infrastructure to facilitate use of innovative natural gas resources for natural gas utility customers, if the commission finds that the costs are in the public interest. For purposes of this bill, ‘innovative natural gas resources’ include, but are not limited to, farm gas, biogas, renewable natural gas, hydrogen, carbon capture, qualified offsets, renewable natural gas attributes, RSG, and energy efficiency resources.” [Tennessee General Assembly Website, Accessed [10/12/23](#)]

- The Law Established Mechanism For Authorizing Limited Rate Increases For “Innovative” Natural Gas Purchases.** “A public utility may request, and the commission may authorize, a mechanism to recover the costs related to the use or development of infrastructure to facilitate use of innovative natural gas resources for natural gas utility customers, if the commission finds that the costs are in the public interest. [...] An incremental rate adjustment due to the investment in innovative natural gas resources must not exceed two percent (2%) of a utility's latest approved annual revenue requirement. Expenses described in subdivision (c)(3) may be reflected in a utility's purchased gas adjustment; provided, the total incremental natural gas cost cannot exceed three percent (3%) of the annual cost of gas.” [Tennessee Capitol Website, Accessed [2/5/24](#)]

## SOUTHERN COMPANY’S TENNESSEE SUBSIDIARY CHATTANOOGA GAS ENTERED INTO THREE-YEAR CERTIFIED GAS SUPPLY AGREEMENT IN 2023

**Chattanooga Gas Entered Into Three-Year Certified Gas Supply Agreement In 2023.** “Williams (NYSE: WMB) today announced the execution of an agreement with Chattanooga Gas, a subsidiary of Southern Company Gas, to provide certified, low-emissions NextGen Gas over a 3-year period.” [Yahoo News, [8/3/23](#)]

- Chattanooga Gas Indicated That Its Certified Gas Procurement Resulted From Tennessee’s Recent Law Enabling Utilities To Purchase It And Recover Premiums Of Up To 3 Percent The Annual Cost Of Gas From Customers.** “The procurement is also a result of the Tennessee Natural Gas Innovation Act, Senate Bill 1959, which was passed and signed into law in 2022. The state legislation enables natural gas utilities to build and procure innovative natural gas resources including, but not limited to, farm gas, biogas, renewable natural gas and renewable natural gas attributes, hydrogen, carbon capture, qualified offsets, Next Generation Natural Gas and energy efficiency resources. The legislation also allows the Tennessee Public Utility Commission the authority to authorize a mechanism to recover costs related to incremental innovative natural gas costs to procure resources from third parties, while the total incremental costs cannot exceed 3% total annual cost of gas.” [Chattanooga Gas Website, [8/3/23](#)]

## TENNESSEE GAS PIPELINE RECEIVED FEDERAL APPROVAL FOR “PRODUCER CERTIFIED GAS” POOLING SERVICE IN 2022

**Tennessee Gas Pipeline Received FERC Approval for Producer Certified Gas Pooling Service Proposal.** “Tennessee Gas Pipeline Company, L.L.C. (TGP), a subsidiary of Kinder Morgan, Inc. (NYSE: KMI) today received approval for its producer certified gas (PCG), or responsibly sourced gas (RSG), aggregation pooling service from the Federal Energy Regulatory Commission (FERC). The PCG aggregation pooling service is now available at all pooling points across the TGP system. PCG is conventional natural gas sourced from production facilities that have been certified by a qualified third party to meet certain environmental, social and governance standards that typically focus on management practices for methane emissions, water usage and community relations. The service is designed to enable shippers on TGP to purchase and sell PCG supply at non-physical pooling locations, ultimately serving end-users, utilities, power plants and LNG facilities connected to the TGP system.” [Kinder Morgan Website, [7/1/22](#)]

- According to Tennessee Gas Pipeline Company’s Filing With FERC In July 2023, No One Made Use Of Producer Certified Gas Pooling System In Its First Year.** “In its PCG Order accepting the PCG Pooling Service Option... [...] the Commission accepted Tennessee’s proposal to provide an informational report describing i) the level of utilization of the PCG pools vis-à-vis the non-PCG pools, ii) pool prices, iii) development of trading/certificate tracking platforms at the pools, and iv) Responsibly Sourced Gas (‘RSG’) volumes by third-party certification providers... [...] During the PCG Report Period, Tennessee established 20 PCG pooling points on its system, received confirmation that 16 receipt points source natural gas from production wells that have been certified in accordance with the criteria posted on Tennessee’s



Internet Website, and received proof of certification by three (3) producers allowing their Supply Aggregation service agreements to be able to use the PCG pools. Despite this activity, none of the producers have scheduled usage of the PCG pools during this 12-month period.” [FERC E-Library, [7/31/23](#)]

## **MULTIPLE VIRGINIA UTILITIES HAVE PURCHASED CERTIFIED GAS IN RECENT YEARS**

### **WASHINGTON GAS, WHICH SERVES DC, MARYLAND AND VIRGINIA CUSTOMERS, HAS PURCHASED CERTIFIED GAS WITH THE INTENT TO PASS ON PREMIUMS TO CUSTOMERS IN FUTURE**

**Washington Gas Has Procured Certified Gas From Chesapeake Energy Corporation For 2021-2025.** “In the 2021-2025 period, CG [Certified Gas] procurement would take place through third-parties. Washington Gas signed an initial contract with Chesapeake Energy Corporation, in partnership with Project Canary, to procure and deliver CG that meets a high level of emissions reductions standards.” [Washington Gas Climate Change Action Program, [12/15/21](#)]

**Washington Gas Intends To Continue Purchasing Certified Gas, Says Future Costs Depend On Market Conditions And Incremental Cost Will Be Billed Directly To Customers If Regulators Approve.** “Washington Gas plans to continue pursuing CG contracts; in addition to the existing contract with Chesapeake. Washington Gas plans to incrementally increase the amount of CG in the transmission and delivery system. Leveraging Washington Gas’ procurement strength can help drive market behavior and result in significant reductions in upstream gas emissions. CG supply provides Washington Gas customers the reassurance that the source of their gas reflects the most environmentally sound choices. Washington Gas’ supply contract with Chesapeake was at zero premium. The future costs will be dependent on market conditions at that time. The incremental cost of CG will be billed directly to customers, subject to regulatory approval to do so.” [Washington Gas Climate Change Action Program, [12/15/21](#)]

**Washington Gas’s 2020 Climate Business Plan For Washington D.C. Included Scaling Up Certified Gas Purchasing At A Small Premium.** “Certified gas is very inexpensive. Based on our discussions with providers/deal makers, we estimate a per annum cost of \$27,000 to \$270,000 based on the procurement of 20 percent of sales gas volume for today’s residential District customers. Since the procurement of natural gas represents the largest expenditure by the Washington Gas, exercising our buying power to drive emissions reduction in the natural gas value chain is an effective, sustainable strategy to help reduce GHG emissions. Washington Gas is currently in talks to collaborate with the Rocky Mountain Institute and others to more clearly quantify GHG emissions reductions from gas supply produced by best practice companies. With the necessary government policy and regulatory support, certified natural gas can be blended into existing gas supply and is expected to result in a 1 – 2 percent GHG emissions reduction.” [Washington Gas Climate Business Plan, [March 2020](#)]

### **COLUMBIA GAS OF VIRGINIA HAS PURCHASED CERTIFIED GAS, CITING OPPORTUNITY PRESENTED BY RECENT CERTIFIED GAS-FRIENDLY VIRGINIA STATE LEGISLATION**

**Columbia Gas Of Virginia Began Purchasing Certified Natural Gas In The Wake Of Virginia Legislature Enacting Certified Gas-Friendly Legislation In 2022.** “The Virginia Energy Innovation Act, enacted into law in April 2022, and effective July 1, 2022, allows natural gas utilities to supply alternative forms of gas that meet certain standards and reduce emissions intensity. The Act also provides that the costs of enhanced leak detection and repair may be added to a utility’s plan to identify proposed eligible infrastructure replacement projects and related cost recovery mechanisms, known as the SAVE Plan. Furthermore, under the Act, utilities can recover eligible biogas supply infrastructure costs on an ongoing

basis. The provisions of these laws may provide opportunities for Columbia of Virginia as it participates in the transition to a lower carbon future. [...] Strategy to realize opportunity and explanation of cost calculation [...] Columbia of Virginia has begun purchasing certified natural gas to replace some of the conventional natural gas it purchases to supply customers." [NiSource 2023 Climate Change Report, [Accessed 2/1/24](#)]

**A 2022 Report On Energy Efficiency And Decarbonization Prepared By Columbia Gas, Among Others, Identified Certified Natural Gas As Both A Short-Term And Long-Term Tool.** [Virginia Energy Efficiency Council Website, [Accessed 2/1/24](#)]

## **DOMINION ENERGY'S VIRGINIA SUBSIDIARY MADE A DEAL WITH WILLIAMS TO PROCURE CERTIFIED GAS IN 2022**

**In Late 2022, Dominion Energy Virginia Announced A Deal With A Pipeline To Procure Certified Gas.** "To that end, midstream operators are also working to decarbonize their assets to appeal to increasingly environmentally minded buyers. Late last year, pipeline giant Williams announced a deal with producer Coterra Energy and utility Dominion Energy Virginia to certify gas across all segments." [Energy Intel, [3/10/23](#)]

## **COLORADO SPRINGS UTILITIES BEGAN A CERTIFIED GAS PILOT PROJECT IN 2021 WITH UNDISCLOSED COSTS, NO SUBSEQUENT ANNOUNCEMENTS**

**In March 2021, Colorado Springs Utilities Embarked On Certified Gas Pilot Project With Other Colorado Companies.** "A Colorado natural gas producer, an infrastructure operator and local municipal utility have entered into a first-of-its-kind Responsibly Sourced Gas (RSG) pilot project with Project Canary, a Denver-based B-Corp focused on providing continuous emissions monitoring data and technologies across the energy sector. The unique wellhead to burner-tip RSG pilot extends across the energy value chain – from production, transportation and marketing of RSG – for consumer and community use locally in Colorado. The pilot project will consist of the following: Colorado Springs Utilities, a municipal utility in one of the state's largest and fastest growing regions, will purchase certified RSG produced by Bayswater Exploration & Production, a Colorado-based oil and natural gas development company. The certified RSG will be gathered and processed by Rimrock Energy Partners, a provider of midstream services in the DJ Basin, before being delivered to Colorado Interstate Gas Company, a Kinder Morgan, Inc. (NYSE: KMI) subsidiary, which will transport the certified RSG to Colorado Springs Utilities." [Colorado Springs Utilities Website, [3/11/21](#)]

## **ONE PENNSYLVANIA UTILITY PURCHASED CERTIFIED GAS WITHOUT PREMIUM; ANOTHER PA UTILITY OPTED NOT TO BUY BECAUSE OF PREMIUM**

**UGI Gas Purchased Certified Gas At A Competitive Price And Looks To Continue To Buy It When It Can Be Purchased Without A Premium.** "UGI Gas has accepted an offer for certified natural gas. The offer was for a quantity of 1,200 Dth per day from November 2022 through March 2023 at the Tennessee Station 313 receipt point at a market price that is competitive with non-certified supply. [...] This is a fast-growing sector of the natural gas industry, and UGI Gas believes that certified natural gas transactions will likely become standard transactions that the Company can and should be able to engage in where, like here, the product may be purchased without premium." [UGI Gas Filing With Pennsylvania Public Utility Commission, [6/1/22](#)]

**PECO Energy Company Considered Purchasing RSG But Opted Not To, Due To Lack of Guarantee of Recovering Premiums.** "The RSG price quoted was at an index plus a premium of four cents. Because there was no guarantee of recovery of the premium, PECO did not act on the offer." [PECO Energy Company Filing with the Pennsylvania Public Utility Commission, [8/16/22](#)]

## UTILITIES IN THE NORTHWEST, SOUTH CAROLINA, AND CALIFORNIA INDICATED INTEREST IN ACQUIRING RESPONSIBLY SOURCED GAS

### SOCALGAS IS COMMITTED TO INCREASING CERTIFIED GAS PURCHASING WHEN AVAILABLE AND ECONOMICAL

**SoCalGas Said It Was Committed To Procure Increased RSG Supplies As Available And When Economical.** “In an effort to support the reduction of GHG emissions and to minimize environmental and social impacts associated with its natural gas supplies, the Gas Acquisition Department assesses RSG [responsibly sourced gas] procurement opportunities and has committed to source increased RSG supplies as available and when it is economical to do so.” [SoCalGas Website, Direct Testimony of Martin F. Lazarus, [May 2022](#)]

### AVISTA, WHICH SERVES CUSTOMERS IN THE PACIFIC NORTHWEST, ISSUED A REQUEST FOR PROPOSALS SEEKING RESPONSIBLY SOURCED GAS IN AUGUST 2023

**Avista Issued A Request For Proposals Seeking Responsibly Sourced Gas For Deliveries In 2024 And Beyond.** “Building on our aspirational goals to reduce natural gas emissions 30% by 2030 and to be carbon neutral in our natural gas operations by 2045, and to meet Oregon’s Climate Protection Program and Washington’s Climate Commitment Act carbon reduction requirements, Avista has released a request for proposals seeking renewable natural gas (RNG) / Responsibly Sourced Gas (RSG). The RFP is open to parties who currently own, propose to develop, or hold rights to resources, or those marketing a resource or portfolio of resources meeting Avista’s requirements for RNG/RSG. Bidders may submit multiple proposals; each proposal may include certain configuration, contracting or pricing options. Avista anticipates RNG/RSG deliveries to be no earlier than January 1, 2024.” [Avista Website, [8/31/23](#)]

**Avista Indicated That RSG Purchases Intended To Meet State Requirements In Washington And Oregon As Well As Corporate Goals.** “Question: Is Avista buying a certain amount of RNG/RSG for their own sustainability i.e., buying gas for their own compressors or is the company buying for their clients? Answer: Avista is buying RNG/RSG to meet carbon reduction requirements in Oregon, possibly Washington, as well as to meet corporate goals.” [Avista Website, RNG RFP Bidders Conference Questions and Answers, Accessed [10/12/23](#)]

### SOUTH CAROLINA’S PIEDMONT NATURAL GAS COMPANY AND DOMINION ENERGY SOUTH CAROLINA PARTICIPATED IN A COMMISSION HEARING ON PURCHASING RESPONSIBLY SOURCED GAS IN 2021 AND 2022

**In July 2021, South Carolina’s Public Service Commission Opened A Separate Docket To Review The Certified Gas Purchasing Practices Of Piedmont Natural Gas Company And Dominion Energy South Carolina.** “In follow up to Commissioner questions and witness testimony about whether the Company purchases natural gas from ‘green’ producers that reduce the impact of natural gas production on the environment, I move that the Clerk’s Office open a separate docket for the purpose of reviewing and exploring the gas purchasing policies and practices of Piedmont Natural Gas Company, Incorporated and of Dominion Energy South Carolina, Incorporated. This new docket would review and examine the feasibility for options to consider gas purchasing policies and practices related to ‘responsibly sourced gas’ (RSG) purchases, as well as any financial impact on customers and costs. The Commission staff is directed to establish a procedural schedule allowing for participation by interested parties or stakeholders, as well as to provide for written comment, or report, by each gas utility concerning RSG purchases, percentage of overall gas purchase, impact on rates and costs, and related matters.” [Docket No. 2021-236-G, Notice, [7/21/21](#)]

**PIEDMONT GAS INDICATED INTEREST IN CERTIFIED GAS PURCHASING, DEPENDENT ON PRICE, AVAILABILITY, AND ABILITY TO PASS ON COSTS**

**Piedmont Natural Gas Company Is A Member Of Multiple Coalitions Of Natural Gas Companies Focused On Advancing The Procurement Of RSG.** “Piedmont has joined forces with those in the industry who are working to achieve significant reductions in upstream methane emissions. For example, Piedmont, through its corporate parent, Duke Energy, is a member of the NextGenGas Coalition. [...] We’ve also joined ONE Future, a coalition of natural gas companies focused on finding solutions to voluntarily reduce methane emissions across the natural gas supply chain – with a goal to lower emissions to less than 1% by 2025.” [Docket No. 2021-236-G, Testimony of Sarah E. Stabley Docket and Michelle R. Mendoza, [10/21/21](#)]

**As Of 2021, Piedmont Had Not Yet Purchased RSG Or Paid A Premium For The “Low-Emitting” Gas It Has Purchased.** “Currently, Piedmont has not purchased any RSG. However, for the period of April 2020 to March 2021, 35% of the Company’s annual purchases were from suppliers who have low emissions (based on their indication of MI%) and/or have environmental and sustainability goals to reduce their methane footprint. Other Piedmont suppliers may also have low methane emission goals although their MI% is currently unknown to us. Notably, Piedmont has not paid a premium for this low methane emitting gas.” [Testimony of Sarah E. Stabley Docket and Michelle R. Mendoza, [10/21/21](#)]

- **Piedmont Gas Interested In Acquiring A Better Understanding Of Market Pricing And Availability Of RSG Before Purchasing, As Well As Public Utility Commission’s Willingness To Approve Associated Incremental Costs.** “Piedmont is not currently in a position to provide an estimated cost impact associated with purchasing RSG. Piedmont needs a better understanding of market pricing for RSG and the amount of verifiable RSG available before it can determine the optimal amount of RSG to procure on behalf of its customers. [...] As explained in more detail in the testimony of witness Peter Narbaitz, there remain ambiguities surrounding the measurement and confirmation of RSG, and currently there is not a common set of standards to classify a substance as RSG. Further, the Company needs to better understand the perspective of this Commission and other public utility commissions in terms of the approval of any future incremental costs that may be associated with the procurement of RSG.” [Testimony of Sarah E. Stabley Docket and Michelle R. Mendoza, [10/21/21](#)]

**DOMINION ENERGY SOUTH CAROLINA INDICATED A COMMITMENT TO PROCURING CERTIFIED GAS, INTEREST IN CONTINUING DIALOGUE WITH PUBLIC UTILITY COMMISSION**

**Dominion Energy South Carolina Vice President Testified That All Of Dominion Energy Incorporated’s 21 Utilities Are Studying The Use Of “Responsibly Sourced Gas.”** “DESC is not an outlier in studying the addition of RSG to its fuel mix to achieve corporate goals. Rather, all of the utilities throughout DEI are actively working to gain knowledge of the benefits to customers, the environment, and the costs of RSG. This fact gathering approach is part of corporate-wide synergies to understand and add RSG to our utility systems in order to benefit our customers.” [Docket No. 2021-236-G, Direct Testimony of Rusty Harris, [10/21/21](#)]

- **Dominion Energy Director Of Gas Supply Services Indicated Company-Wise Policy For Preferring Certified Gas.** “Dominion Energy, Inc. (‘DEI’) has set a corporate goal of preferring upstream partners who have sustainable or reduced carbon emission goals. By preferring suppliers with sustainability goals, DESC hopes to use a market-based approach to make RSG the expectation not the exception in gas purchasing, thereby accelerating decarbonization along the entire natural gas value chain.” [Docket No. 2021-236-G, Direct Testimony of Rose Jackson, [10/21/21](#)]

**Dominion Energy South Carolina Had Not Yet Purchased Responsibly Sourced Gas In Late 2021, But Put Out Tailored Request For Proposals In 2021.** “DESC has not purchased any RSG to date for system supply customers and is not aware of any RSG that may have been delivered to transportation customers. [...] ...as part of our annual supply Request for Proposals (‘RFP’) in 2021, my Department began requesting that suppliers provide their methane reduction goals, sustainability plans, and provide options for supplying RSG or RNG. Additionally, DESC is participating in a DEI survey solicitation to interstate pipelines as well as producers and their marketing affiliates regarding their sustainability efforts and potential RSG and RNG supply options. DESC continues to monitor the marketplace for RSG and RNG opportunities.” [Direct Testimony of Rose Jackson, [10/21/21](#)]

- **Dominion Energy’s Director Of Gas Supply Services Viewed Premiums For Purchasing Certified Gas As A Positive Incentive Within The Marketplace.** “Based on the testimony from Witness Narbaitz, the current premium is in the range of \$0.05 to \$0.20 per MMBtu. However, premiums will vary based on several factors, including, but not limited to, the type of certification process utilized, the location of the gas, the supplier, and other factors. Premiums for producing environmentally differentiated gas does not directly detract from the environmental benefits gained. Rather, such premiums can competitively incentivize the marketplace to achieve emissions reductions, yielding a net-positive in the effort to mitigate the industry’s environmental impacts.” [Direct Testimony of Rose Jackson, [10/21/21](#)]

**Dominion Submitted Expert Testimony From Peter Narbaitz Indicating Growing Utility Interest In Responsibly Sourced Or Certified Gas.** “Many gas utilities I have spoken to or worked with are having discussions with their suppliers to understand the opportunity to procure RSG. Based on these discussions, and on our review of public information on this topic, I understand that there are additional utilities and natural gas consumers that are also considering RSG. Some are at an early stage, while others have launched formal Request for Information (‘RFI’) processes to get specific details from their suppliers. A number of gas utilities have already started using RSG. [...] It is expected that more utilities will procure RSG as more gas producers commit to complete RSG certification processes, and midstream natural gas operators have announced their intentions to dedicate capacity to transport certified gas to end-users.” [Docket No. 2021-236-G, Direct Testimony with Exhibit of Peter Narbaitz, [10/21/21](#)]

- **Narbaitz’s Testimony Suggested Certified Gas Prices May Increase As Utility Demand Grows.** “Some of the first utilities buying RSG for their customers have acquired the certified gas at essentially negligible incremental cost. As noted earlier, gas from certain producing regions can have an inherently lower emissions footprint, and some producers may already meet the RSG requirements, without having previously been certified. For example, if demand for RSG is low, and a utility is already procuring gas from regions that include low-cost RSG options, the cost premium to acquire that RSG may be minimal. That being said, as this market evolves, we expect there will continue to be a wide range of costs to produce RSG, and we expect there will be changes in the prices utilities pay for RSG as demand grows and there is increased competition for this supply.” [Direct Testimony with Exhibit of Peter Narbaitz, [10/21/21](#)]
  - **Narbaitz Expects Rapid Growth In Availability And Demand For Certified Gas.** “Although interest from gas utilities in RSG is growing rapidly, it is still a new concept in the early stages of its market cycle. As demand increases, and as certification processes are standardized, we expect to see rapid growth in the availability of RSG.” [Direct Testimony with Exhibit of Peter Narbaitz, [10/21/21](#)]

**Dominion Energy South Carolina Did Not Request Any Specific Action From The Commission On Certified Gas Procurement, But Paved Way For Continued Dialogue.** “No, the Company is not requesting that the Commission take any action in this docket at this time. The Company appreciates the opportunity to provide information on RSG and hopes the information has been helpful to the Commission’s understanding of RSG. The Company looks forward to continued dialogue with the Commission on this beneficial fuel source.” [Direct Testimony of Rusty Harris, [10/21/21](#)]