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# Utilities scale up renewable natural gas purchases, expand project portfolios



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Theme **Energy**



## **Dominion Energy is expanding beyond an early partnership to produce renewable natural gas from methane waste at a Utah hog farm.**

*Source: Align RNG*

Gas utility operators are poised to become bigger players in the renewable natural gas market in 2022 as customers expand commitments to procure low-carbon fuels.

Utility executives touted the renewable natural gas, or RNG, volumes flowing through their distribution networks and promoted project portfolios during quarterly earnings conference calls. For some gas distributors, new state policies promoting low-carbon fuel use presented opportunities to initiate or increase RNG purchases, executives said.

Amid dire warnings about climate change and a growing building electrification movement, RNG has become a critical decarbonization pathway for gas utilities. RNG facilities produce fuel from methane waste sources, such as farms and landfills, capturing and using planet-warming emissions that would otherwise escape into the atmosphere.

"We expect the momentum and demand for RNG to continue as many of our customers, including residential, commercial and industrial transport customers, look to reduce their emissions," One Gas Inc. COO Curtis Dinan said during a Feb. 24 conference call.

### **Gas utilities seek more renewable natural gas supply**

One Gas has lined up 22 projects to connect its pipeline system to RNG suppliers as part of a plan to meet new emissions reduction goals, executives told analysts. The company identified many of the projects through a survey that found 175 Bcf of potential RNG resources in Kansas, Oklahoma and Texas.



Atmos Energy Corp. is on track to add another 1 Bcf of RNG per year to its supply portfolio, President and CEO Kevin Akers said during a call. This puts the company on pace to reach 9 Bcf of total RNG transportation, or about 3% of its distribution sales volumes, in 2022. The company is also evaluating roughly 20 projects that could add to its RNG flows, whittling the list down from nearly 30 in the prior quarter.

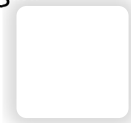
Northwest Natural Holding Co. continued to advance projects under its agreement to develop RNG projects at Tyson Foods Inc. facilities in partnership with BioCarbN. The company recently completed commissioning of the first project, while construction on the second facility began in February, with commissioning slated for early 2023, President and CEO David Anderson said.

Following its latest agreement in November 2021, the company's utility subsidiary Northwest Natural Gas Co. secured options to buy or develop RNG supplies equal to 3% of its annual sales volume in Oregon. State law allows the utility to procure up to 5% of annual volumes as RNG through 2024.

Northwest Natural's formation of a new subsidiary to supply renewable fuels to end users, including other utilities, will help accelerate earnings growth, executives said. The utility expected EPS to grow at a 4%-6% compound annual growth rate between 2022 and 2027, up from its prior forecast of 3%-5%. Northwest Natural CFO Frank Burkhartsmeyer said the company anticipates the segment's investments will generate internal rates of return north of 10%.

### **Multi-utilities tap farms to grow volumes**

Flowing RNG to regulated gas utility customers will be a long-term strategy for Dominion Energy Inc. as it seeks to achieve a new goal of reaching net-zero Scope 3 greenhouse gas emissions, which are tied to ratepayers' gas consumption, COO Diane Leopold said during a call.



Dominion already runs voluntary RNG procurement programs for ratepayers in Utah and North Carolina, and the company is "working with policymakers and regulators to increase access to RNG for our customers," Dominion Chairman, President and CEO Robert Blue said.

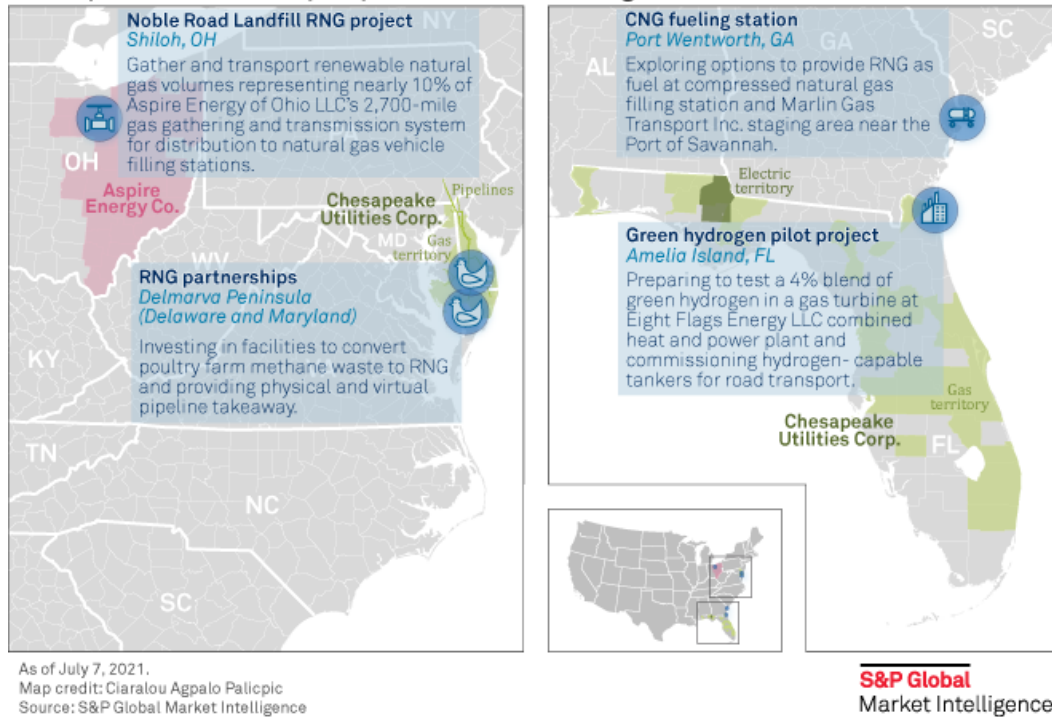
Dominion Energy now has one RNG project in service and 10 under construction, with two dairy farm projects slated to be in service in the coming weeks and a total of six poised for completion by year-end, according to Leopold. The COO expects that pace to continue as the company executes its plan to invest in hog and dairy farm projects in partnership with Smithfield Foods Inc. and Vanguard Renewables LLC.

Great Lakes Region gas distributor WEC Energy Group Inc. announced its first contract to supply RNG for its distribution system. The project will interconnect with a large local dairy farm and provide enough RNG to achieve 25% of WEC Energy's 2030 methane reduction goal, President and CEO Scott Lauber said on a call. RNG developer and distributor U.S. Gain plans to begin flowing supplies to WEC by year-end, Lauber said.

Chesapeake Utilities Corp. has focused on a less-developed corner of the RNG market: processing the fuel from chicken litter, a waste mix of droppings, feathers, spilled feed and bedding material. CFO Beth Cooper said a Delaware RNG facility in which the company has invested remains in the permitting phase. Another Chesapeake Utilities partner, CleanBay Renewables Inc., is still in the process of securing the financing for its proposed RNG facilities on the Delmarva Peninsula, Cooper said.



## Chesapeake Utilities Corp. expands into renewable gas



"Some of them take a little bit longer to get to where they're ready to be fully constructed and in service, but there's a lot of projects like that, both on Delmarva and in Florida, that we're actively looking at and evaluating," Cooper said during a Feb. 24 call.

### Policy creates pathway to low-carbon purchases

In 2021, RNG accounted for 4% of Southern California Gas Co.'s gas deliveries to core customers, said Jeffrey Walker Martin, chairman and CEO of parent company Sempra. California's recent adoption of a renewable gas standard will require SoCalGas to increase that percentage to at least 12.5% by 2030, Martin said.

The biomethane procurement requirement is an acknowledgment that the gas grid will have a "big role" in meeting California's aggressive decarbonization goals, according to Sempra Group President Kevin Sagara, who oversees the utilities business. "It's demonstrating that there is a role in the state for clean fuels along with a lot of electrification," Sagara said

Other gas utility operators said they were also looking to state policy to create a framework to procure RNG. Spire Inc. is looking for RNG project opportunities, particularly in Missouri, where the state's Public Service Commission is developing rules for gas utilities to recoup the costs of operating voluntary RNG programs, COO Steve Lindsey said on a Feb. 2 call.

CenterPoint Energy Inc. plans to submit a natural gas innovation plan to the Minnesota Public Utilities Commission in the mid-2022, CFO Jason Wells said on a call. Under a 2021 law that CenterPoint championed, gas utilities can submit the plans to recover the cost of displacing standard natural gas with alternatives.

Wells said analysts should expect the opportunities to be stacked towards the end of CenterPoint's 10-year capital plan. "We want to make sure that we're starting to develop expertise around alternative fuels but doing so at a prudent pace so that it is cost-effective for our customers in Minnesota," Wells said.

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