

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 4, 2024

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ROOM 01 - JUDGE CENTER

APPLICATION OF  
ROANOKE GAS COMPANY

2024 SEP -4 A 9:15  
CASE NO. PUR-2024-00098

For approval to implement an updated Rider RNG  
and file the annual report required by Virginia  
Code § 56-625 E and Enactment Clause 3

FINAL ORDER

On May 30, 2024, Roanoke Gas Company ("Roanoke Gas" or "Company") filed an application to implement an updated Rider RNG and to file an associated report ("Application") with the State Corporation Commission ("Commission") pursuant to: (1) the Commission's Final Order in Case No. PUR-2023-00095;<sup>1</sup> (2) § 56-625 E of the Code of Virginia ("Code") and Enactment Clause 3 of the 2022 Va. Acts of Assembly, chs. 728 and 759 ("Enactment Clause 3"); and (3) 20 VAC 5-205-10 of the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings of Investor-Owned Gas Utilities ("Rate Case Rules").<sup>2</sup>

As described in the Application, Rider RNG pertains to the biogas supply infrastructure project consisting of a digester gas conditioning system, gas carrying pipe, and other necessary

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<sup>1</sup> *Application of Roanoke Gas Company, For approval to implement an updated Rider RNG and file the annual report required by Code § 56-625 E and Enactment Clause 3, Case No. PUR-2023-00095, 2023 S.C.C. Ann. Rept. 467, 468, Final Order (Sept. 1, 2023).*

<sup>2</sup> Application at 1; 20 VAC 5-205-5 *et seq.* The Company filed an updated Application on June 4, 2024. Citations to the "Application" herein refer to the June 4, 2024 updated filing.

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equipment to produce renewable natural gas ("RNG Facility") that was approved in Case No. PUR-2022-00125 and became operational in March 2023.<sup>3</sup>

In its Application, Roanoke Gas requests approval of a total revenue requirement of \$415,180 to be recovered from customers through Rider RNG, over the period from October 1, 2024, through September 30, 2025 ("Rate Year").<sup>4</sup> As proposed, the Rate Year revenue requirement consists of: a True-Up Factor credit of \$36,082 for the over-recovery of costs during the period from March 2023 through September 2023; an RNG Facility Projected Factor charge of \$1,557,502; and a RIN<sup>5</sup> Credit Factor credit of \$1,106,241.<sup>6</sup> As proposed in the Application, residential customer bills will contain a monthly charge of \$0.64 if the update to Rider RNG is approved.<sup>7</sup>

Roanoke Gas further states that it has calculated the current reduction in methane and carbon dioxide equivalent emissions ("CO<sub>2</sub>e") from the RNG Facility during its operation and is reporting such with this Application in accordance with Enactment Clause 3.<sup>8</sup> Roanoke Gas requests that the Commission accept this filing as Roanoke Gas' annual reports required by Code § 56-625 E and Enactment Clause 3.

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<sup>3</sup> Application at 4. *Application of Roanoke Gas Company, For approval of a certificate of public convenience and necessity to construct, own and operate a digester gas conditioning system and for a rate adjustment clause designated Rider RNG and related tariff provisions pursuant to Chapters 10.1 and 30 of Title 56 of the Code of Virginia*, Case No. PUR-2022-00125, 2023 S.C.C. Ann. Rept. 224, Final Order (Jan. 23, 2023).

<sup>4</sup> Application at 2; Application at Attachment 1, Schedule 10.

<sup>5</sup> RIN refers to the Renewable Identification Numbers, or environmental attributes, produced. *See, e.g.*, Staff Report at 3.

<sup>6</sup> Application at 2. Application at Attachment 1, Schedule 10.

<sup>7</sup> Application at 2-3.

<sup>8</sup> Application at 6.

On June 17, 2024, the Commission issued an Order for Notice and Comment in this proceeding that, among other things, docketed the Application; required Roanoke Gas to publish notice of its Application; provided interested persons the opportunity to participate in this proceeding and to comment or request a hearing on the Company's Application; and directed the Staff of the Commission ("Staff") to investigate the Application and file a report ("Staff Report") containing Staff's findings and recommendations. There were no comments or requests for a hearing filed in this proceeding.

On August 5, 2024, Staff filed its Staff Report<sup>9</sup> containing Staff's analysis of the Application and providing conclusions and recommendations for the Commission's consideration, including adjustments to the calculation of the revenue requirement for Rider RNG. Staff reached the following conclusions and recommendations:<sup>10</sup>

1. Staff recommends a Rider RNG revenue requirement for the Rate Year of \$356,069, comprising a Projected Factor of \$1,493,963, an RIN Credit Factor of (\$1,106,241) and a True-Up Factor of (\$31,653).<sup>11</sup>
2. Staff recommends the use of a 7.650% weighted average cost of capital to calculate both the Projected Factor and True-up Factor revenue requirements, which includes a 100 basis-point adder to the return on equity pursuant to Code § 56-625.
3. The weighted average cost of capital used for purposes of the Projected Factor should be subject to true-up in the future, based on the capital structure and cost of capital approved in the Company's pending rate case proceeding ("2024 Rate Case").<sup>12</sup>

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<sup>9</sup> Staff filed an Errata to its Report on August 6, 2024 ("Staff Errata").

<sup>10</sup> See, e.g., Staff Report at 7-12, 21-24, 26-27.

<sup>11</sup> As modified by Staff, residential customer bills would contain a monthly charge of \$0.49, representing a \$0.43 increase over the currently effective rate of \$0.06. Staff Errata at 24.

<sup>12</sup> See *Application of Roanoke Gas Company, For a general increase in rates*, Case No. PUR-2024-00006, Doc. Con. Cen. No. 240320110, Order for Notice and Hearing (Mar. 8, 2024).

4. Staff recommends that the Commission direct the Company to file the information included in 20 VAC 5-205-90 of the Rate Case Rules at Schedule 51, subparts c through s, as part of its application in future Rider RNG update proceedings.
5. The Company's reported RNG production levels remain below the originally projected levels. For the operating period between March and September 2023, the Company delivered a total of 14,036 [dekatherms ("Dth")] of RNG. The project was operational for 7,113 out of a possible 8,784 hours, and injected RNG into the pipeline for all 7,113 operational hours. For the 12-month period beginning March 2023 and ending February 2024, the Company delivered a total of 31,441 Dth of RNG to customers. Staff is unsure if the Company will be able to meet the originally projected production levels but recognizes that some increase should be expected with the completion of the third anaerobic digester feeding the RNG facility.
6. Roanoke reports a calculated net reduction in CO<sub>2</sub>e emissions of approximately 13,650 metric tons. Staff notes that this level of emissions reduction is approximately 50 MT CO<sub>2</sub>e below the originally projected reduction levels.
7. Staff does not oppose the Company's proposed revenue allocation for the purpose of the instant case, or the proposed rate design as corrected by Staff.
8. Staff recommends that Roanoke be directed to include, in its next Rider RNG application, two versions of its Rider RNG, one that reflects the assessment of all Rider RNG costs and benefits to transportation customers, and one in which Rider RNG is not assessed to transportation customers.
9. Staff further recommends that in its next Rider RNG filing, the Company be directed to allocate its Rider RNG revenue requirement using the base rate revenue apportionment established in the Company's pending 2024 Rate Case.
10. Finally, should the Commission approve a revenue requirement that differs from the Company's requested revenue requirement, Staff recommends that the corresponding Rider RNG charges be adjusted in accordance with the revenue allocation and rate design methodology approved by the Commission in tills proceeding.

On August 19, 2024, Roanoke Gas filed its response to the Staff Report ("Response"). In its Response, Roanoke Gas stated that in general the Company agrees with, or does not oppose, the recommendations presented in the Staff Report.<sup>13</sup> Roanoke Gas responded to, among other

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<sup>13</sup> Response at 3.

things, Staff's concern that the Company may not achieve the originally projected RNG production levels, by asserting that the Company expects production levels to be significantly higher during the 2025 RNG Plan year, when all digester rehabilitation activities are complete and the RNG facility has been tuned accordingly for a full twelve-month period.<sup>14</sup> Further in its Response, the Company asserts that it does not oppose filing an additional version of Rider RNG in which transportation customers are not assessed the charge for Rider RNG or provision of the information included in Schedule 51, subparts c through s included in included in 20 VAC 5-205-90 of the Rate Case Rules.<sup>15</sup>

NOW THE COMMISSION, upon consideration of the foregoing, is of the opinion and finds as follows. First, the Commission finds that the Rider RNG should be approved with an updated revenue requirement of \$356,069 for the Rate Year comprising a Projected Factor of \$1,493,963, an RIN Credit Factor of (\$1,106,241) and a True-Up Factor of (\$31,653). The weighted average cost of capital used for purposes of the Projected Factor should be subject to true-up in the future, based on the capital structure and cost of capital approved in the Company's 2024 Rate Case. The Commission further approves the Company's proposed revenue allocation and the proposed rate design as corrected by Staff. The Commission finds that, as requested, this updated Rider RNG should be made effective beginning October 1, 2024, through September 30, 2025.

Regarding Roanoke's future Rider RNG filings, the Commission finds the following Staff recommendations should be adopted: (1) the Company is directed to file the information included in 20 VAC 5-205-90 of the Rate Case Rules at Schedule 51, subparts c through s, as

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<sup>14</sup> *Id.* at 6.

<sup>15</sup> *Id.* at 3-4.

part of its application in future Rider RNG update proceedings; (2) Roanoke is directed to include, in its next Rider RNG application, two versions of its Rider RNG, one that reflects the assessment of all Rider RNG costs and benefits to transportation customers, and one in which Rider RNG is not assessed to transportation customers; and (3) the Company is directed, in its next Rider RNG application, to allocate its Rider RNG revenue requirement using the base rate revenue apportionment established in the Company's pending 2024 rate case.

Additionally, to provide greater transparency in the Annual Reports regarding emissions reductions provided to the Commission, the Commission has begun to require those natural gas utilities monetizing the environmental attributes associated with a biogas supply infrastructure project to also report the type of environmental attribute (e.g., RINs), the quantity of the environmental attributes generated by the Project each year and the disposition of the environmental attributes (sold or retired by the natural gas utility).<sup>16</sup>

Lastly, the Commission accepts this filing as Roanoke Gas' annual reports required by Code § 56-625 E and Enactment Clause 3.

Accordingly, IT IS ORDERED THAT:

(1) The Company's proposed Rider RNG is approved as modified herein. Rates reflecting a revenue requirement of \$356,069 for Rider RNG shall become effective beginning October 1, 2024, and shall remain in effect until September 30, 2025.

(2) Roanoke Gas forthwith shall file, with the Clerk of the Commission and with the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance,

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<sup>16</sup> See, e.g., *Application of Washington Gas Light Company, For approval of a biogas supply investment plan and for a rate adjustment clause designated RNG Rider and related tariff provision pursuant to Chapters 10.1 and 30 of Title 56 of the Code of Virginia*, Case No. PUR-2023-00220, Doc. Con. Cen. No. 240560079, Final Order (May 30, 2024).

revised Rider RNG and all workpapers supporting the total revenue requirement and rates, all of which shall reflect the findings and requirements set forth in this Order. The Clerk of the Commission shall retain such filings for public inspection in person and on the Commission's website: [scc.virginia.gov/Pages/Case-Information](http://scc.virginia.gov/Pages/Case-Information).

(3) Roanoke Gas shall include in future Rider RNG applications, the information included in 20 VAC 5-205-90 of the Rate Case Rules at Schedule 51, subparts c through s.<sup>17</sup>

(4) Roanoke Gas shall include, in its next Rider RNG application, two versions of its Rider RNG, one that reflects the assessment of all Rider RNG costs and benefits to transportation customers, and one in which Rider RNG is not assessed to transportation customers.

(5) Roanoke Gas shall, in its next Rider RNG application, allocate its Rider RNG revenue requirement using the base rate revenue apportionment established in the Company's pending 2024 rate case.

(6) Roanoke Gas shall file an application to update Rider RNG by May 30, 2025, and include the annual reports required by Code § 56-625 E and Enactment Clause 3 regarding reductions in methane and CO<sub>2</sub>e emissions. In each annual Rider RNG filing, Roanoke Gas shall report the type of environmental attribute (e.g., RINs), the quantity of the environmental attributes generated by the Project each year and the disposition of the environmental attributes (sold or retired by the natural gas utility).

(7) This matter is dismissed.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.

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<sup>17</sup> In making this determination, the Commission does not reach the legal issue raised by the parties.