

ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 30, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE September 1, 2016

DATE: August 19, 2016

TO: Public Utility Commission

FROM: Lisa Gorsuch

THROUGH: Jason Eisdorfer and Michael Dougherty

SUBJECT: NORTHWEST NATURAL: (Docket No. ADV 346/Advice No. 16-09)
Revises definitions in General Rules and Regulations, and revises
Schedule T, Customer-Owned Natural Gas Transportation Service, to
allow biomethane to be taken off of the distribution system.

STAFF RECOMMENDATION:

Staff recommends that Northwest Natural's (NWN or Company) Docket No. ADV 346/Advice No. 16-09 be approved and the associated tariff sheet revisions be allowed to go into effect on September 1, 2016.

DISCUSSION:

Issue

Whether the Commission should approve NWN's proposal to revise definitions in General Rules and Regulations, and revise Schedule T, Customer-Owned Natural Gas Transportation Service, to allow biomethane to be taken off of the Company's distribution system providing biomethane suppliers with the option for off-system delivery of biomethane.

Applicable Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls and charges for service that have been established and are in force at the time. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make any change in rates, tolls, charges, rules or

regulations must be filed with the Commission at least 30 days before the effective date of the changes.

Discussion and Analysis

On July 21, 2016, NWN filed Advice No. 16-09 proposing to revise definitions in its General Rules and Regulation, and Schedule T, Customer-Owned Natural Gas Transportation Service, to provide an opportunity for biomethane to be transported on the Company's distribution system to a point of delivery where biomethane may be taken off of the Company's distribution system.

NWN has had the authority to receive and transport biomethane on its distribution system since April 1, 2013. Approval of Advice No. 13-2, on March 26, 2013, allows the Company to offer service to Schedules 31, 32, 33, and 60 to transport biomethane produced within the Company's service territory on the Company's distribution system.

Biomethane suppliers will have the option for off-system delivery of biomethane, with the revisions proposed in this filing versus only being able to transport biomethane within NWN's distribution system.

Tariff Sheet 00.3 in General Rules and Regulations proposes to revise the definition of "Delivery Point" from the following:

Delivery Point. *The point at which gas leaves the Company's Distribution System and passes through the Custody Transfer Point at Customer's facility.*

To the following:

Delivery Point. *The point at which gas passes through the Custody Transfer Point at Customer's facility. The Delivery Point may also be the point at which Biomethane leaves the Company's Distribution System at the point of interconnect with the Pipeline.*

Tariff Sheet 00.7 in General Rules and Regulations proposes to revise the definition of "Receipt Point" from the following:

Receipt Point. *The point at which gas enters Company's system from the Pipeline's interconnect.*

To the following:

Receipt Point. *The point at which gas enters Company's system from the Pipeline's interconnect. The Receipt Point may also be a point of interconnection on the Company's Distribution System that is designated for the receipt of Biomethane.*

Tariff Sheet 00.9 in General Rules and Regulations proposes to revise the definition of "Transportation" from the following:

Transportation. *The movement of Customer-Owned Natural Gas from the Pipeline Receipt Point(s) through the Company's Distribution Facilities to a Customer's Delivery Point(s).*

To the following:

Transportation. *The movement of Customer-Owned Natural Gas from the Receipt Point(s) through the Company's Distribution Facilities to a Customer's Delivery Point(s).*

Tariff Sheet 00.9 in General Rules and Regulations proposes to revise the definition of "Transportation Service" from the following:

Transportation Service. *Service to Customers that use Customer procured gas supplies.*

To the following:

Transportation Service. *A service offered by the Company for the Transportation of Customer procured gas supplies.*

Tariff Sheet T-1 in Customer-Owned Natural Gas Transportation Service proposes the following two changes under "Prerequisites to Service:"

The addition of "Advanced" before "Automated Meter Metering" under number 2 of the criteria,

And

The addition of the following description "An authorized supplier of Biomethane is one that has an approved Interconnection Agreement in effect with the Company," under number 3 of this section.

Finally, Tariff Sheet T-6 in Customer-Owned Natural Gas Transportation Service proposes the addition of the following language regarding "Off System Delivery of Biomethane:"

"Off System Delivery of Biomethane:

The Company may approve a request from Biomethane supplier located in the Company's Oregon Service Territory to transport Biomethane on the Company's Distribution System to a Delivery Point that is at a point of interconnection with the Pipeline for off-system delivery of Biomethane. The two available points of interconnect for this service are at the Mollalla Gate Station and the Deer Island Gate Station. The Company's approval of such request is contingent upon the following:

- 1. An Interconnection agreement with Company governing the receipt of Biomethane into the Company's Distribution System must be in effect; and*
- 2. The Biomethane supplier must have an approved Service Election for Transportation Service under a qualifying Rate Schedule.*

Conclusion

NWN's filing states that the tariff revisions and additions proposed to its General Rules and Regulations and Schedule T are necessary to allow the continued development of a renewable natural gas¹ market in the state of Oregon, and Staff agrees. Staff and NWN had a meeting by phone to discuss what is addressed by tariff versus what is addressed by interconnect agreement with regard to biomethane.

Rule 24 in NWN's General Rules and Regulations specifies the "Gas Quality Standards and Determination of Thermal Units" of natural gas or biomethane procured and delivered on the Company's system. Interconnect Agreements, between NWN and any customer that wants to move biomethane on the Company's system, also addresses gas quality specifications (as in Rule 24), addresses the customer's responsibility to pay for receipt point facilities and all facilities on the customer's side of meter (i.e., compressor, equipment to valve off gas, and safety/testing equipment, etc., if needed), and addresses system safety and a standard indemnification provision that includes but is not limited to claims, liens, debts, personal injuries, death or damages to property, etc.

¹ **Renewable natural gas (RNG)** is methane produced from biomass that is cleaned to pipeline quality standards and blended with fossil **natural gas**. **RNG**, also known as biomethane, is carbon-neutral and chemically identical to fossil **natural gas** allowing it to be blended without restriction.

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As a result of the proposed revisions and additions there will be no customer rate impact, and the Company will not be purchasing biomethane. Staff recommends that the proposed tariff revisions and additions, as filed by NWN, be approved.

PROPOSED COMMISSION MOTION:

Approve NWN's proposed revisions to its General Rules and Regulations, Schedule T, allowing the associated tariff sheet revisions to go into effect September 1, 2016.

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