

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 22, 2019**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: October 14, 2019

TO: Public Utility Commission

FROM: Rose Anderson

THROUGH: Jason Eisdorfer and JP Batmale **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
(Docket No. UM 2030) Update to Commission on the scope and timeline of the investigation into the use of Northwest Natural's Renewable Natural Gas evaluation methodology.

STAFF RECOMMENDATION:

Staff has no recommended action for the Commission at this time. This memo is intended to inform the Commission of a proposed scope and timeline for the UM 2030 investigation.

DISCUSSION:

Issue

What should be the scope and timeline for the UM 2030 investigation into Northwest Natural's (NW Natural or NWN) updated Appendix H RNG cost-effectiveness methodology.

Applicable Rule or Law

Under ORS 756.515(1), the Commission may open an investigation when it "believes that any rate may be unreasonable or unjustly discriminatory, or that any service is unsafe or inadequate, or is not afforded, or that an investigation of any matter relating to any public utility or telecommunications utility or other person shall be made, or relating to any person to determine if such person is subject to the commission's regulatory jurisdiction."

In the acknowledgement order for NW Natural's 2018 Integrated Resource Plan (IRP), Docket LC 71, Order No. 19-073, the Commission acknowledged a revised action item that included NW Natural's participation in "an investigation into the use of the Company's proposed methodology to evaluate renewable natural gas (RNG) cost effectiveness."

Analysis

Background

At the August 27th, 2019 public meeting, the Commission launched an investigation into NW Natural's RNG cost-effectiveness methodology.¹ Staff's public meeting memo reported that Staff would develop a scope and timeline for the investigation and report back to the Commission at a public meeting. Staff's proposed scope and timeline is as follows below.

Scope

This investigation will attempt to answer the question of whether NW Natural's Appendix H, as revised according to Staff's comments per order 19-073, is appropriate for determining the cost-effectiveness of RNG projects. The investigation is meant to provide stakeholders an opportunity to observe the details of an actual offer for the acquisition of RNG within the investigation timeline, and to review the relevant details of the potential resource acquisition.

The investigation should provide stakeholders an opportunity to enter comments for review by commissioners. Staff is hopeful that the investigation can result in a clear path forward for NWN in acquiring cost-effective RNG. Another product of the investigation will be an RNG methodology that has been thoroughly reviewed by stakeholders and commissioners.

The investigation is happening concurrently with a rulemaking docket required by the 2019 Legislative Session's SB 98, which authorizes a large natural gas utility to procure a certain percentage of its gas as RNG, with the exception that the utility may no longer be authorized to procure RNG if the cost exceeds 5 percent of the utility's annual revenue requirement. The cost cap for a small natural gas utility is to be set at the time of "a filing by a small natural gas utility to participate in the small renewable natural gas program adopted by the Public Utility Commission..." This investigation into NW Natural's RNG methodology may inform the discussion of the cost cap in the RNG program rulemaking.

¹ See Order No. 19-276

Timeline

The investigation will consist of two phases which will take approximately six months in total, with a pause between the two phases if necessary. Phase 1 will consist of a review of the methodology itself, and Phase 2 will consist of a review of the methodology as applied to an actual project. This should be sufficient to observe the methodology applied to an actual project, review the associated modeling assumptions, and decide on an RNG review process at the Commission. Below are the forecasted activities by Phases.

Phase 1

- By December 15, there will be an initial stakeholder workshop for NW Natural to present its updated RNG evaluation methodology and for stakeholders to ask questions to gain an understanding of the avoided cost methodology.
- By January 15, there will be an opportunity for stakeholders to submit comments within UM 2030 describing any concerns or recommendations on the methodology.
- By February 15, there will be an opportunity for reply comments from NW Natural.

Phase 2

- When NW Natural has a project for consideration, the Company will file work papers demonstrating the RNG methodology as applied to the RNG project.
- Within two months of the date the company shares the RNG project information, there will be a final opportunity for all parties to submit comments on the methodology.
- Within one month, Staff will bring a recommendation to the Commission at a public meeting. Commissioners will have the option to acknowledge the methodology and/or provide further guidance.

Next Steps

By December 15, NW Natural will provide a workshop for stakeholders at which it will present its updated Appendix H methodology and answer stakeholder questions.

Conclusion

The above scope and timeline for UM 2030 is sufficient to establish a cost-effectiveness methodology for RNG projects. Staff and stakeholders will begin by conducting a thorough review of the methodology proposed by NW Natural for determining the cost-effectiveness of RNG projects in their 2018 IRP.

PROPOSED COMMISSION MOTION:

No commission motion is proposed at this time.

RNG Investigation