

February 18, 2022

**VIA ELECTRONIC FILING**

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High Street SE, Suite 100  
Post Office Box 1088  
Salem, Oregon 97308-1088

**Re: Consolidated UG 435 / UG 411 / Application of NW Natural for a General Rate Revision/Schedule 198 Renewable Natural Gas Recovery Mechanism - Opening Testimony**

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), files herewith its Opening Testimony for the proposal of a new Schedule 198, Renewable Natural Gas Recovery Mechanism, with the Public Utility Commission of Oregon in the above-mentioned consolidated dockets.

The enclosed Exhibit NW Natural/1501 includes a revised proposed Schedule 198, which replaces the tariff pages previously filed in UG 411 in their entirety. The requested effective date of these tariff pages has been updated to November 1, 2022. Please note that the Company withdraws the previously proposed revision to the tariff Index Sheet v at this time.

Please address correspondence on this matter to me with copies to the following:

Eric Nelsen  
NW Natural  
Senior Regulatory Attorney, OSB #192566  
250 SW Taylor Street  
Portland, Oregon 97204  
Telephone: (503) 610-7618  
eric.nelsen@nwnatural.com

eFiling  
NW Natural  
Rates and Regulatory Affairs  
250 SW Taylor Street  
Portland, Oregon 97204  
Telephone: (503) 610-7330  
eFiling@nwnatural.com

Respectfully submitted,

*/s/ Zachary Kravitz*

Zachary Kravitz  
Director, Rates & Regulatory Affairs  
NW Natural  
250 SW Taylor Street  
Portland, Oregon 97204  
(503) 610-7617  
zachary.kravitz@nwnatural.com

BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

**UG 435 / UG 411**

**NW Natural**

**Direct Testimony of Zachary D. Kravitz**

**RENEWABLE NATURAL GAS  
AUTOMATIC ADJUSTMENT CLAUSE  
EXHIBIT 1500**

February 18, 2022

**EXHIBIT 1500 – DIRECT TESTIMONY – RENEWABLE NATURAL GAS  
AUTOMATIC ADJUSTMENT CLAUSE**

Table of Contents

|      |                               |    |
|------|-------------------------------|----|
| I.   | Introduction and Summary..... | 1  |
| II.  | Background.....               | 1  |
| III. | Schedule 198.....             | 5  |
| IV.  | Conclusion.....               | 14 |

1 I. **INTRODUCTION AND SUMMARY**

2 **Q. Please state your name, position with Northwest Natural Gas Company (“NW**  
3 **Natural” or “the Company”) and summarize your educational background**  
4 **and business experience.**

5 A. My name is Zachary D. Kravitz. My position at NW Natural is Senior Director of  
6 Rates and Regulatory Affairs for NW Natural. I received a Bachelor of Arts degree  
7 in English and Government from the University of Texas at Austin and a Juris  
8 Doctor degree from the University of Florida. I joined NW Natural’s Legal  
9 Department in 2014 as Associate Regulatory Counsel. In 2018, I joined the Rates  
10 and Regulatory Affairs Department in the position of Director of Rates & Regulatory  
11 Affairs. Prior to joining NW Natural, I worked in the energy and utility practice at  
12 the law firms of Chester, Wilcox & Saxbe, LLC and Taft, Stettinius & Hollister, LLP  
13 in Columbus, Ohio. Before that, I worked at the Ohio Attorney General’s Office in  
14 the Labor Relations Division.

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to explain NW Natural’s proposed Schedule 198,  
17 Renewable Natural Gas Recovery Mechanism. Schedule 198 is an automatic  
18 adjustment clause (“AAC”) that is designed to recover NW Natural’s qualified  
19 investments in renewable natural gas (“RNG”) infrastructure.

20 II. **BACKGROUND**

21 **Q. What is an AAC?**

22 A. An AAC is defined in ORS 757.210(1)(b) as “a provision of a rate schedule that  
23 provides for rate increases or decreases or both, without prior hearing, reflecting

1 increases or decreases or both in costs incurred, taxes paid to units of government  
2 or revenues earned by a utility . . .” In other words, an AAC changes rates to reflect  
3 certain specified costs, investments or revenue outside of a general rate case.

4 **Q. Why is Schedule 198 an AAC?**

5 A. Schedule 198 is an AAC because it would change rates outside of a general rate  
6 case. It would enable NW Natural to recover the revenue requirement associated  
7 with “qualified investments.” A qualified investment is “any capital investment in  
8 renewable natural gas infrastructure . . .” to meet the RNG sales targets set in  
9 ORS 757.396.<sup>1</sup>

10 **Q. Please explain the RNG sales targets set in ORS 757.396.**

11 A. ORS 757.396 sets RNG portfolio targets for large natural gas utilities (i.e., NW  
12 Natural). The targets start at 5 percent of Oregon sales load from 2020 to 2024  
13 and gradually escalate to 30 percent from 2045 to 2050.<sup>2</sup>

14 **Q. Aside from the RNG sales targets set in ORS 757.396, is there any other  
15 reason why NW Natural needs to acquire RNG?**

16 A. Acquiring RNG will assist the Company in complying with the Climate Protection  
17 Program (“CPP”) recently adopted by the Oregon Department of Environmental  
18 Quality (“ODEQ”). The CPP seeks to cap-and-reduce emissions of natural gas  
19 utilities, certain large stationary sources, and transportation fuels. By making

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<sup>1</sup> ORS 757.392(5).

<sup>2</sup> For further background on RNG, including an overview of the statutory and regulatory framework guiding RNG acquisition in Oregon, please see section II of the Direct Testimony of Anna Chittum (NW Natural/1100, Chittum) in consolidated cases UG 435 and UG 411.

1 qualified investments in RNG projects, NW Natural can reduce emissions and help  
2 meet its compliance obligation under the CPP.

3 **Q. How does the CPP relate to the RNG sales targets in ORS 757.396?**

4 A. ORS 757.396 is a law that establishes RNG portfolio targets that NW Natural is  
5 intending to meet regardless of any administrative rules established by state  
6 agencies, including the CPP. However, acquiring RNG to meet the targets in ORS  
7 757.396 will reduce the emissions attributed to NW Natural under the CPP.  
8 Therefore, the qualified investments that NW Natural seeks to recover under  
9 Schedule 198 will benefit customers under both ORS 757.396 and the CPP.

10 **Q, Does ORS 757.396 and any related statutes provide guidance regarding cost  
11 recovery of RNG?**

12 A. Yes. ORS 757.396 requires the Commission to “adopt ratemaking mechanisms  
13 that ensure the recovery of all prudently incurred costs that contribute to the large  
14 natural gas utility’s meeting the targets . . . [in ORS 757.396(1)].” In addition, ORS  
15 757.394 requires the Commission to adopt “[r]ules for establishing a process for  
16 natural gas utilities to fully recover prudently incurred costs.”

17 **Q. Did the Commission adopt such rules?**

18 A. Yes. The Commission adopted separate cost recovery processes for RNG that  
19 NW Natural purchases from third parties and for qualified investments in OAR 860-  
20 150-0300.

1 **Q. Describe the cost recovery process for RNG that NW Natural purchases from**  
2 **third parties.**

3 A. Under OAR 860-150-0300(1), prudently incurred costs associated with the  
4 purchase of RNG (i.e., acquisitions that do not involve a qualified investment) are  
5 recovered through the Purchased Gas Adjustment (“PGA”). NW Natural’s  
6 proposed Schedule 198 does not affect how the costs of these purchases would  
7 be recovered in rates.

8 **Q. Describe the cost recovery process for qualified investments.**

9 A. Per ORS 757.396(2)(a) and OAR 860-150-0300(4), the Commission directed  
10 natural gas utilities to make a tariff filing seeking an AAC. Alternatively, a natural  
11 gas utility could recover its qualified investments in a general rate case.<sup>3</sup> The  
12 Commission did not specify the details of an AAC, finding that it would be “more  
13 appropriate to review a specific requested mechanism through a separate process,  
14 rather than presume that the rules could specify every relevant detail of how such  
15 a mechanism would work [in the RNG rulemaking docket].”<sup>4</sup> NW Natural is seeking  
16 approval of Schedule 198 pursuant to this process.

17 **Q. Has NW Natural previously filed its proposed AAC, Schedule 198, at the**  
18 **Commission?**

19 A. Yes. On December 4, 2020, NW Natural filed Schedule 198 with the Commission  
20 in docket UG 411/ADV 1215, with a requested effective date of March 30, 2021.

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<sup>3</sup> OAR 860-150-0300(3).

<sup>4</sup> In the Matter of Rulemaking Regarding the 2019 Senate Bill 98 Renewable Natural Gas Programs, AR 632, Order 20-227 (July 16, 2020).

1 NW Natural has since made subsequent filings to revise the requested effective  
2 date of Schedule 198 in order to facilitate further discussions with stakeholders.  
3 Its latest filing was made on December 15, 2021, which revised the requested  
4 effective date to April 1, 2022.

5 **Q. Has the Schedule 198 docket (UG 411/ADV 1215) been consolidated with NW**  
6 **Natural's general rate case (UG 435)?**

7 A. Yes. The dockets have been consolidated to promote efficiency.<sup>5</sup> As such, I am  
8 sponsoring this supplemental testimony that seeks to further explain proposed  
9 Schedule 198. NW Natural is now proposing that Schedule 198 would become  
10 effective on November 1, 2022, concurrent with the other rate changes it has  
11 proposed in UG 435.

12 **III. SCHEDULE 198**

13 **Q. Please explain the costs that NW Natural is seeking to recover through**  
14 **Schedule 198.**

15 A. NW Natural is seeking to recover the prudently incurred costs associated with the  
16 Company's qualified investments in RNG. The revenue requirement associated  
17 with qualified investments in RNG includes depreciation expense, property and  
18 other taxes, return on investment, income taxes, related operating and  
19 maintenance costs, and other costs relating to NW Natural's qualified investment.  
20 The capital structure and the cost of capital to be used in the calculation of return

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<sup>5</sup> In the Matter of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision (UG 435), and Advice 20-19, Schedule 198 Renewable Natural Gas Recovery Mechanism (ADV 1215, UG 411, Amended Procedural Conference Memorandum (Jan. 26, 2022).



1 on rate base will be that adopted by the Commission in the Company's most recent  
2 general rate case.

3 **Q. Why is NW Natural proposing Schedule 198?**

4 A. As stated above, ORS 757.394 and ORS 757.396 require that NW Natural recover  
5 all of its prudently incurred costs. By allowing NW Natural to recover the costs of  
6 its qualified investments as close to the in-service date as practicable, Schedule  
7 198 ensures that NW Natural will recover these costs in a timeframe that is  
8 consistent with customers receiving the benefits (RNG) of such projects.  
9 Recovering costs in this manner also prevents the accumulation of substantial  
10 deferrals between general rate cases, which would be required in the absence of  
11 Schedule 198 to ensure that NW Natural recovers all of its prudently incurred  
12 costs.

13 In addition, NW Natural is proposing Schedule 198 because its qualified  
14 investments in RNG projects are different than typical utility investments. In  
15 developing a RNG project, NW Natural must coordinate with the owner of the raw  
16 biogas, such as a landfill or dairy farm, that will be processed into RNG. Similarly,  
17 most RNG projects will have co-developers, in addition to NW Natural, that have  
18 expertise in identifying and developing RNG projects. These co-developers will  
19 typically have done some preliminary work developing the project before NW  
20 Natural becomes involved. Due to the coordination required with both the owner  
21 of the raw biogas and the co-developers, NW Natural lacks the level of control over  
22 the timing of projects that it typically has when making a utility investment and

1 cannot always ensure that such projects can be included for review in a general  
2 rate case without a substantial delay between general rate cases.

3 Finally, qualified investments are different from other assets that are not  
4 recovered through an AAC, such as service lines or main extensions. Qualified  
5 investments, unlike these other assets, do not increase revenues by allowing the  
6 Company to provide service to a greater number of customers. As a result,  
7 qualified investments do not generate revenues to offset regulatory lag between  
8 general rate cases.

9 **Q. Is Schedule 198 consistent with Renewable Adjustment Clauses (“RACs”)<sup>6</sup>**  
10 **that electric utilities already use to recover their investments in renewable**  
11 **generation?**

12 A. For the most part, yes. NW Natural has modeled Schedule 198 after the RACs  
13 that electric utilities have used for a number of years to recover the cost of their  
14 renewable energy investments.

15 **Q. How does Schedule 198 differ from the RACs?**

16 A. NW Natural anticipates that rates that become effective under Schedule 198 will  
17 be updated annually and remain in place through the useful life of the qualified  
18 investments. Renewable electric investments are typically recovered through the  
19 RAC until the electric utility’s next general rate case. At that point, the investments

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<sup>6</sup> See Portland General Electric Rate Schedule 122, available at: [https://assets.ctfassets.net/416ywc1laqmd/66KKFjiBXfAg7uOjpYUfcY/361e58ee58d59a107de97c7f533d67f7/Sched\\_122.pdf](https://assets.ctfassets.net/416ywc1laqmd/66KKFjiBXfAg7uOjpYUfcY/361e58ee58d59a107de97c7f533d67f7/Sched_122.pdf); and Pacific Power Rate Schedule 202, available at: [https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/rates-regulation/oregon/tariffs/rates/202\\_Renewable\\_Adjustment\\_Clause\\_Supply\\_Service\\_Adjustment.pdf](https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/rates-regulation/oregon/tariffs/rates/202_Renewable_Adjustment_Clause_Supply_Service_Adjustment.pdf).

1 are no longer recovered through the RAC and are instead recovered in general  
2 rates.

3 **Q. What is the customer benefit of recovering qualified investments through**  
4 **Schedule 198 for the entirety of their useful lives?**

5 A. Under traditional ratemaking, the amount of a utility's capital investment is not  
6 typically reduced to reflect depreciation on an annual basis, but rather is only  
7 updated when the utility files a general rate case. Under Schedule 198, however,  
8 NW Natural will make an annual filing that updates a project's revenue  
9 requirement, including a reduction in rate base due to depreciation. NW Natural  
10 will also update operating expenses at this time to accurately reflect the costs of  
11 operating the RNG plant. While operating expense may increase or decrease in  
12 a given year, the reduction in rate base will occur annually and will benefit  
13 customers.

14 **Q. How will NW Natural seek recovery of new qualified investments under**  
15 **Schedule 198?**

16 A. For qualified investments that were not previously included in rates (i.e., new  
17 qualified investments), NW Natural will make a filing on or before February 28  
18 seeking recovery of those investments in rates. The filing will include: 1) a  
19 demonstration of prudence, including but not limited to details of the qualified  
20 investment project and an alternatives analysis, 2) costs associated with the  
21 qualified investment, 3) revenue requirement associated with the qualified  
22 investment, including workpapers, detailed rate calculation and bill impacts, and 4)  
23 any additional supporting information to aid with stakeholder review. Depending

1 on the size and complexity of the RNG project, the Company may also provide  
2 testimony and exhibits to support its filing and schedule a technical workshop with  
3 parties.

4 **Q. Will NW Natural include anything else in its Schedule 198 filings for new**  
5 **qualified investments?**

6 A. Yes. The Company also will include in its Schedule 198 filings for new qualified  
7 investments:

- 8 • The amount of RNG produced by the qualified investment and how that  
9 impacts the RNG sales targets set in ORS 757.396;
- 10 • Its calculation of the incremental cost associated with any new qualified  
11 investment; and
- 12 • The impact of any new qualified investments on the Company's incremental  
13 costs as defined in OAR 860-150-0200.

14 Under OAR 860-150-0200(3), NW Natural may not make another qualified  
15 investment if its net total incremental costs exceed five percent of NW Natural's  
16 revenue requirement. If NW Natural's total incremental costs exceed that amount,  
17 it will file a petition with the Commission as outlined in OAR 860-150-0200(3)  
18 seeking the ability to continue to make qualified investments.

19 **Q. When would new qualified investments be included in rates?**

20 A. If the Commission finds that NW Natural's new qualified investments are prudently  
21 incurred, those investments would be included in rates on the following November  
22 1, unless NW Natural can demonstrate it is in the public interest to propose an

1 alternate effective date. Using November 1 will minimize the frequency of rate  
2 changes because NW Natural's annual PGA also takes effect on that date. NW  
3 Natural had originally proposed to include new qualified investments in rates as  
4 they were completed and entered service, but, after further discussions with  
5 stakeholders, decided to revise its proposal to have these changes take effect on  
6 the following November 1, unless it is in the public interest to use a different date.<sup>7</sup>  
7 For instance, the Company may propose an alternate date to prevent accumulation  
8 of a substantial deferral balance. Such a balance may accumulate if a qualified  
9 investment entered service on November 7, for example, and was not included in  
10 rates until the following November 1.

11 **Q. Under Schedule 198, would NW Natural be able to defer the cost of new**  
12 **qualified investments before they are included in rates?**

13 A. Yes. NW Natural may seek to defer the costs of the qualified investments until  
14 they can be placed in rates. NW Natural will request this deferral prior to the  
15 qualified investment's in-service date under ORS 757.259 and OAR 860-027-  
16 0300. The deferral will include any start-up operating and maintenance costs  
17 incurred prior to the qualified investment being placed in service and the revenue  
18 requirement of the qualified investment beginning on the project's in-service date.

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<sup>7</sup> See NW Natural's OPUC Advice 20-19/UG 411, Schedule 198 Renewable Natural Gas Recovery Mechanism, Initial Utility Filing, Dec. 4, 2020 (available at: <https://edocs.puc.state.or.us/efdocs/UAA/uaa145131.pdf>), and NW Natural's OPUC Advice 20-19/UG 411, Schedule 198 Renewable Natural Gas Recovery Mechanism, Revised Utility Filing, April 30, 2021 (available at: <https://edocs.puc.state.or.us/efdocs/UAB/adv1215uab17512.pdf>).

1 **Q. Why is deferring the cost of new qualified investments necessary?**

2 A. Since qualified investments may enter service at any time of year, a deferral is  
3 necessary in order to ensure that NW Natural recovers all of its prudently incurred  
4 costs and to have a single annual date—November 1—where they will be included  
5 in rates. Absent a deferral, NW Natural would seek to include new qualified  
6 investments in rates when they enter service, which would increase the number of  
7 rate changes over the course of the year. For the same reason, a deferral would  
8 be appropriate to minimize the frequency of rate changes should multiple qualified  
9 investments go into service consecutively or the in-service date of a qualified  
10 investment occurs shortly after a major rate change, such as a general rate case  
11 or the PGA.

12 **Q. Turning now to qualified investments that have been previously included in**  
13 **rates through Schedule 198, how will NW Natural update the cost-of service?**

14 A. By August 1 of each year, NW Natural will make a filing that updates the cost-of-  
15 service for qualified investments that were previously included in rates. This  
16 update would take effect on November 1 of each year. The annual filing will update  
17 the revenue requirement, including any deferrals that have been approved for  
18 amortization and a reduction in rate base due to depreciation. As stated above,  
19 customers will benefit from the reduction in rate base because, for ratemaking  
20 purposes, the amount of a utility's capital investment is not typically reduced to  
21 reflect depreciation on an annual basis, but rather is only updated when the utility  
22 files a general rate case. The August 1 filing will also note changes (if any) in the  
23 Company's progress towards meeting RNG sales targets under ORS 757.396 and

1 to the incremental cost of RNG under OAR 860-150-0200. Finally, the August 1  
2 filing will include a true-up for actual costs and volumes of previously included  
3 costs.

4 **Q. Is a deferral necessary to true-up the costs of qualified investments that have**  
5 **been previously included in rates through Schedule 198?**

6 A. Yes. In order to true-up the actual costs incurred through the course of the year,  
7 a deferral is necessary. The deferral will ensure that differences between  
8 forecasted and actual costs can be recovered in rates, as well as the forecasted  
9 and actual revenues received for recovery.

10 **Q. Is NW Natural proposing to apply Schedule 198 to any specific RNG projects**  
11 **in this proceeding?**

12 A. Yes. NW Natural is proposing to recover the costs of the Lexington RNG project  
13 through Schedule 198. This project is further described in the Direct Testimony of  
14 Anna Chittum (NW Natural/1100, Chittum). NW Natural/1314, Walker has the  
15 anticipated cost of service to be included in Schedule 198.<sup>8</sup>

16 **Q. Has NW Natural made any changes to Schedule 198 since it originally filed**  
17 **the schedule in December 2020?**

18 A. Yes. In April 2021, NW Natural made several changes after discussing Schedule  
19 198 with Commission Staff and other parties.<sup>9</sup> First, as stated above, any rate

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<sup>8</sup> Estimates may be updated as costs or benefits are better known closer to the rate effective date. NW Natural/1314, Walker is for illustrative purposes only. Interest will be added to the cost of service to account for the amortization period at the Modified Blended Treasury (“MBT”) rate.

<sup>9</sup> Schedule 198 Renewable Natural Gas Recovery Mechanism, Revised Utility Filing, April 30, 2021 (available at: <https://edocs.puc.state.or.us/efdocs/UAB/adv1215uab17512.pdf>).

1 changes under Schedule 198 will occur annually on November 1, concurrent with  
2 the PGA. Second, only qualified investments exceeding \$5 million individually or  
3 in aggregate will be eligible for recovery under Schedule 198. Third, within three  
4 years of the effective date of Schedule 198, NW Natural will convene a meeting  
5 with the parties to review the rate schedule. Any changes in Schedule 198 as a  
6 result of this review would only apply prospectively to new qualified investments  
7 filed after that review. Finally, NW Natural stated it would propose a cost allocation  
8 methodology for each RNG project to reflect cost causation principles.

9 **Q. Has NW Natural made any changes to its April 2021 cost allocation**  
10 **proposal?**

11 A. Yes. NW Natural originally proposed that Schedule 198 would only apply to sales  
12 customers. At that time, the CPP rules were still under development and it was  
13 unclear whether local gas distribution companies, like NW Natural, would be the  
14 point of regulation for large natural gas users taking transportation-only service.  
15 Since that time, however, the final rules for the CPP were adopted. These rules  
16 make NW Natural the point of regulation for nearly all of its customers' emissions,  
17 even transportation-only customers that purchase gas from sources other than NW  
18 Natural. Consequently, NW Natural is now proposing that Schedule 198 apply to  
19 all customer classes, except for storage customers. For each new qualified  
20 investment, NW Natural will propose how to allocate costs across customer  
21 classes in the filing that it will make on or before February 28. Based on current  
22 expectations, NW Natural anticipates that such costs would be allocated to all  
23 customers on an equal cents per-therm basis.



- 1
- IV. CONCLUSION**
- 2 **Q. What is your recommendation regarding Schedule 198?**
- 3 A. I recommend that the Commission approve Schedule 198 and approve cost
- 4 recovery for the Lexington RNG project through Schedule 198 as described in my
- 5 testimony and the Direct Testimony of Kyle Walker (NW Natural/1300, Walker).
- 6 **Q. Does this conclude your direct testimony?**
- 7 A. Yes.

BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

**UG 435 / UG 411**

**NW Natural**

**Exhibit of Zachary D. Kravitz**

**RENEWABLE NATURAL GAS  
AUTOMATIC ADJUSTMENT CLAUSE  
EXHIBIT 1501**

February 18, 2022

**EXHIBIT 1501 – RENEWABLE NATURAL GAS  
AUTOMATIC ADJUSTMENT CLAUSE**

Table of Contents

Exhibit 1501 – Schedule 198 Tariff Sheets..... 1-3

**NORTHWEST NATURAL GAS COMPANY**

P.U.C. Or. 25

Original Sheet 198-1

**SCHEDULE 198  
RENEWABLE NATURAL GAS ADJUSTMENT MECHANISM**

(N)

**PURPOSE:**

The purpose of this Schedule is to identify adjustments to rates in the Rate Schedules listed below for the recovery of the revenue requirement of qualified investments, as defined by ORS 757.392(5), in renewable natural gas (RNG) infrastructure.

This adjustment mechanism will recover the revenue requirement associated with the prudently incurred qualified investments that contribute to the Company meeting the targets set forth in ORS 757.396. For purposes of this Schedule, "qualified investment" has the meaning given that term in ORS 757.392. This Adjustment Schedule is implemented as an automatic adjustment clause as provided for under ORS 757.210 and Oregon Senate Bill 98 (2019) codified as ORS 757.396.

**APPLICABLE:**

To All Customers on the Rate Schedules of this Tariff listed below:

- Rate Schedule 2                      Rate Schedule 31
- Rate Schedule 3                     Rate Schedule 32
- Rate Schedule 27                    Rate Schedule 33

**Application to Rates:**

The Base Adjustment in the applicable Rate Schedules include the following adjustment:

|   |                            | Effective Date:  |
|---|----------------------------|------------------|
| Schedule 198 ongoing                              | \$0.00000 per therm        | November 1, 20xx |
| Schedule 198 amortization of RNG Project Deferral | \$0.00000 per therm        | November 1, 20xx |
| <b>Total Schedule 198 adjustment</b>              | <b>\$0.00000 per therm</b> |                  |

**SPECIAL CONDITIONS:**

1. The Company will file this Schedule by August 1 of each year as necessary to update all charges already included on this schedule as needed. Updating of charges will include updating for the relevant vintage of the revenue requirement for previously included investments and a true-up for actual costs and volumes of previously included costs. This updating of charges will be supported by a deferral application (Schedule 198 Deferral) that will apply to costs recovered through this Schedule 198. The amortization of the Schedule 198 Deferral amount will not be subject to the provisions of ORS 757.259(5).

(N)

(continue to Sheet 198-2)

Issued February 18, 2022  
UG 435/UG 411

Effective with service on  
and after November 1, 2022

**NORTHWEST NATURAL GAS COMPANY**

P.U.C. Or. 25

Original Sheet 198-2

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**SCHEDULE 198**  
**RENEWABLE NATURAL GAS ADJUSTMENT MECHANISM**

(continued)

(N)

2. In addition, the Company will file this Schedule on or before February 28 as necessary for proposed charges relating to new qualified investments in anticipation of the expected in-service date of the RNG project and providing time for stakeholder review. When the Company anticipates that a new qualified investment will commence operation, the Company may file a deferral request by the in-service date (RNG Project Deferral). The RNG Project Deferral will include any start-up operating and maintenance costs incurred prior to the project being placed in service and the revenue requirements of the qualified investment beginning on the project's in-service date. Amounts will be deferred until the qualified investment can be placed in base rate adjustment under Schedule 198. NW Natural will make a filing to amortize these deferred amounts under this Schedule 198. The amortization of the RNG Project Deferral amount will not be subject to the provisions of ORS 757.259(5).
3. The Company will provide in its Schedule 198 RNG project application filings a draft procedural schedule to accommodate stakeholder review and feedback, and may also include a technical workshop, depending on the size and complexity of the RNG project.
4. NW Natural will change rates under this schedule concurrent with annual Purchased Gas Adjustment on November 1, except in the event NW Natural can demonstrate it is in the public interest to propose an alternative rate effective date.
5. NW Natural will propose a cost allocation methodology consistent with ORS 757.390 through ORS 757.398
6. For purposes of this Schedule, only applications for RNG Project(s) exceeding \$5 million individually or in aggregate will be eligible for recovery under this mechanism.
7. Within three years of the effective date of this tariff, NW Natural will convene a meeting with the parties in docket ADV 1215 to meet and confer in good faith regarding a comprehensive review of Schedule 198. Any changes in Schedule 198 as a result of this review would apply prospectively to new RNG projects.
8. The provisions listed in the special conditions above may be modified if approved by the Commission.

**QUALIFIED INVESTMENT COST RECOVERY:**

The revenue requirement associated with qualified investments in RNG includes incremental depreciation expense, property and other taxes, return on investment, income taxes, operating and maintenance costs, and other costs relating to the Company's qualified investment. The capital structure and the cost of capital to be used in the calculation of return on rate base will be that adopted by the Commission in the Company's most recent general rate case.

(N)

(continue to Sheet 198-3)

Issued February 18, 2022  
UG 435/UG 411

Effective with service on  
and after November 1, 2022

**NORTHWEST NATURAL GAS COMPANY**

P.U.C. Or. 25

Original Sheet 198-3

**SCHEDULE 198**  
**RENEWABLE NATURAL GAS ADJUSTMENT MECHANISM**  
(continued)

(N)

**GENERAL TERMS:**

This Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff, any other Schedules that by their terms or by the terms of this Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

(N)

Issued February 18, 2022  
UG 435/UG 411

Effective with service on  
and after November 1, 2022