

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: April 19, 2022**

REGULAR CONSENT EFFECTIVE DATE May 1, 2022

DATE: April 11, 2022

TO: Oregon Public Utility Commission

FROM: Eric Shierman

THROUGH: Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. ADV 1378/Advice No. 22-01-G)
Creates a new Schedule 468 to provide a tariff for optional renewable natural gas.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Avista Corporation dba Avista Utilities' (Avista or the Company) Advice No. 22-01-G, which creates a new Schedule 468 for customers to voluntarily pay for the cost of renewable natural gas (RNG), effective with service on and after May 1, 2022, subject to the condition that Avista will share marketing materials associated with this schedule with Staff for review and will address Staff feedback prior to making the materials available to Oregon customers.

DISCUSSION:

Issue

Whether the Commission should approve Avista's Schedule 468 to offer the Company's Oregon customers the option to purchase RNG as part of the customer's monthly billing.

Applicable Rule or Law

Under ORS 757.205(1):

Every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.

The Commission may approve tariff changes if they are deemed to be fair, just and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. Filings that propose 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 change. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

OAR 860-150-0005(3) provides:

Nothing in these rules prohibits or limits the ability of a natural gas utility to file a rate schedule under which a retail natural gas customer may elect to pay a special rate for a quantity of renewable natural gas equivalent to all or a portion of that customer's natural gas usage, consistent with the filing requirements under ORS 757.205, ORS 757.210, ORS 757.220, OAR Chapter 860, Division 22 and any other applicable requirements specified by the Commission in rule or order.

Analysis

Background

Through UM 1020, the Commission has been overseeing electric company portfolio options for two decades. The voluntary product offerings from gas companies for customers to purchase renewable products in Oregon is more limited than for electric companies. While limited, renewable options from Oregon gas companies are not completely unprecedented. Through its Smart Energy Program, Northwest Natural offers customers the opportunity to purchase carbon offsets, a quantified reduction in greenhouse gas emissions created when a unit of carbon dioxide emissions, or other greenhouse gas equivalent, is captured, avoided, or destroyed to compensate for an equivalent emission made from the customer's consumption of natural gas. This filing by Avista represents the Company's first voluntary renewable resource offering in its Oregon service territory.

RNG generally refers to natural gas derived from a renewal energy source that is processed to meet pipeline quality standards. “Biogas” is included in the definition of “Renewable energy sources” under ORS 757.392(6).

In May 2019, the State of Washington passed RCW 80.28.390, requiring utilities in Washington to offer voluntary renewable natural gas service. The tariff Avista proposes to offer its Oregon customers was developed in compliance with Washington state law, creating enough supply of RNG to offer the same service outside Avista’s Washington service territory.

Avista’s Proposal

Schedule 468 would offer Avista’s Oregon customers the ability to purchase blocks of 1.5 therms of RNG for \$5.00 per block, per month. All charges for the program will be in addition to the regular natural gas charges the customer pays.¹ Avista forecasts thirty percent of this revenue will go to marketing and administration.

The RNG will be sourced from Klickitat Public Utility District (KPUD) via Puget Sound Energy (PSE). KPUD has developed a plant at the Roosevelt Regional Municipal Solid Waste Landfill in Roosevelt, Washington to produce RNG.² PSE currently has a contract with KPUD for 550,000 dekatherms per year of RNG for the first three years, with additional amounts in subsequent years. Avista has signed a contract with PSE to purchase a portion of PSE’s renewable gas necessary to supply Avista’s voluntary customer demand.

To document the incremental environmental benefits, Avista will make use of an established renewable tracking service. The Company will utilize the Midwest Renewable Energy Tracking System (M-RETS) to retire the environmental attributes on behalf of participating customers. It is Staff’s understanding that Avista intends to seek to apply the RNG purchased towards compliance under the Department of Environmental Quality’s Climate Protection Program (CPP). Avista will share marketing material and other program details with Staff upon request. Staff recommends, as a condition of approval, that Avista will share marketing materials associated with this schedule with Staff for review and will address Staff feedback prior to sharing the materials with Oregon customers. This will help ensure Oregon customers seeking to participate are fully informed about the program. Additionally, Staff will work with the Company to determine timing for Commission review of the program going forward.

¹ See Docket No. ADV 1378, Avista, Adv_22-01-G Avista Utilities Proposed Tariff Schedule 468 “Optional Renewable Natural Gas”, March 2, 2022, p 3.

² <http://www.klickitatpud.com/yourPUD/projects/rng>.

Holding other Customers Harmless

Commercial development of RNG at this scale is new, presenting market risk to the supplier. Staff has reviewed how any of this risk would be borne by Avista's Oregon customers.

In reviewing market risk, Staff finds a similar exposure as the electric company's portfolio options. Avista has structured its procurement of RNG to remain proportional to voluntary enrollment. If Avista were constructing its own RNG plant with the hope of selling all the gas to voluntary customers at a premium price, the market risk would hazard stranding the unsubscribed capacity of that plant. Purchasing from another utility's RNG supply mitigates this risk.

While the risk from owning an RNG plant can be mitigated by purchasing the gas from another utility, the seller of the RNG might transfer some risk to the buyer. Natural gas is typically traded in specified minimum volumes of 2,500 decatherms per day. If the Company's contract with PSE committed Avista to the purchase of an increment of RNG that exceeded voluntary demand, the unsubscribed remainder would be a stranded cost as well.

Avista has avoided the risk of minimum purchasing volume. **[Begin Confidential]**

[End Confidential].³ This puts the cost risk on the voluntary subscribers of the LNG if Schedule 468's rate increases when higher RNG prices are realized. If the price of this tariff keeps up with the price of procuring the RNG, the economic risk behind procuring RNG can be contained within the voluntary portfolio price.

Reason for Staff Recommendation

Staff finds Avista's proposal reasonable. The program has been made possible by Washington state policy which has given Oregon customers an opportunity to purchase RNG in small volumes without having to pay for large capital expenditures on an RNG plant. While this program was designed to comply with Washington state law, Avista has structured the tariff similarly to Oregon's requirement for electric company portfolio options to be self-funded.

³ See ADV 1378, Avista, OR 468 Voluntary RNG Program Attachment A 3-1-22 CONFIDENTIAL.xlsx, March 3, 2022, Cell H15.

Conclusion

The Commission should approve Schedule 468 to allow Avista's Oregon customers to voluntarily purchase RNG. Doing so can be reasonably expected to contain the cost of this program on the voluntary customers because the RNG can be procured proportional to retail demand. Staff recommends approval be conditioned upon Avista sharing and responding to Staff feedback on marketing materials for the schedule prior to sharing those materials with Oregon customers.

PROPOSED COMMISSION MOTION:

The Commission should approve Avista's Advice No. 22-01-G, which creates a new Schedule 468 for customers to voluntarily pay for the cost of RNG, effective with service on and after May 1, 2022, subject to the condition that Avista will share marketing materials associated with this schedule with Staff for review and will address Staff feedback prior to making the materials available to Oregon customers.

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