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COMPANY NAME:

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes If yes, submit a redacted public version (or a cover letter) by email. Submit the confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

Select report type: RE (Electric) RG (Gas) RW (Water) RT (Telecommunications)
RO (Other, for example, industry safety information)

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Report is required by: OAR
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June 30, 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: OAR 860-150-0600(1)—Annual Renewable Natural Gas Compliance Report

In accordance with Oregon Administrative Rule 860-150-0600(1), Northwest Natural Gas Company, dba NW Natural, submits herewith its annual Renewable Natural Gas Compliance Report for the calendar year 2021. **The information in the enclosed report includes commercially sensitive information considered to be a trade secret and is provided as confidential under OAR 860-001-0070.**

Please direct any questions regarding this report to me at rebecca.trujillo@nwnatural.com or (503) 610-7326 with copies to the following:

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Respectfully submitted,

/s/ Rebecca Trujillo

Rebecca Trujillo
Regulatory Consultant

NW Natural Renewable Gas Program 2021 Senate Bill 98 Compliance Report

Pursuant to Oregon Administrative Rule (“OAR”) 860-150-0600, Northwest Natural Gas Company (“NW Natural” or the “Company”) submits its annual compliance report for the Company’s Renewable Natural Gas (“RNG”) program. For each reporting requirement in OAR 860-150-0600, NW Natural provides a response with the pertinent information. In accordance with ORS 757.392(3) and ORS 757.396, NW Natural is a “large natural gas utility” for purposes of RNG program compliance.

OAR 860-150-0600(1): A large natural gas utility or a small natural gas utility that participates in the RNG program described in these rules must file an annual compliance report for each year that the utility participates in the program by making RNG purchases or qualified investments. Each compliance report will cover a calendar year, beginning January 1 through and including December 31. The first report is due on June 30 of the year following the first compliance year, and then annually on June 30 thereafter for as long as the utility continues to participate in the program.

NW Natural’s first compliance report covers the period from January 1, 2021 through December 31, 2021.

OAR 860-150-0600(2)(a): The total volume of RNG acquired during the compliance year by type or source, including the volume as a percentage of the gas utility’s sales load delivered to retail customers;

The total volume of RNG acquired in the compliance year was 148,037 Dth in the form of RTCs from a high solid anaerobic digestion food and green waste processing facility. The seller was Element Markets Renewable Energy, LLC. This value represents 0.21% of the Oregon sales load delivered to retail customers.

OAR 860-150-0600(2)(b): A detailed description of the natural gas utility’s expenditures that year on RNG purchases and on qualified investments;

Lexington Renewable Energy, LLC: [REDACTED]

Dakota City Renewable Energy, LLC: NW Natural has invested \$ [REDACTED] in this qualified investment.

Element Markets Renewable Energy, LLC: NW Natural purchased 148,037 RTCs from Element Markets Renewable Energy, LLC for \$ [REDACTED]. NW Natural paid \$7,401.85 to M-RETS as a fee for retirement associated with this transaction. The source was Big Ox Anaerobic Digestion Facility (NEW Organic Digestion LLC), 6601 County Road R, Denmark, WI 54208. The agreement was made for a fixed amount of RTCs and the contracted quantity has been fulfilled.

OAR 860-150-0600(2)(c): A summary of all transactions that year involving RTCs purchases, acquired, sold, transferred, or retired to comply with these rules;

Purchases: 148,037 Dth purchased from Element Markets Renewable Energy, LLC

Acquired: Not applicable.

Sold: Not applicable.

Transferred: Not applicable.

Retired: 148,037 Dth (all RTCs acquired in the compliance year)

OAR 860-150-0600(2)(d): A list of all RTCs that the utility owned and that expired during the compliance year before the utility was able to retire them. The list must be accompanied by information about the value and source of these expired RTCs as well as an explanation for why the utility was not able to retire them prior to expiration;

NW Natural had no RTCs that expired during the compliance year before it was able to retire them.

OAR 860-150-0600(2)(e): The number of unused, unexpired RTCs in the natural gas utility's possession at the end of the compliance year, and the utility's plan to fully utilize these certificates;

NW Natural did not have any unused, unexpired RTCs in the natural gas utility's possession at the end of the compliance year (December 31, 2021).

OAR 860-150-0600(2)(f): The range of carbon intensity values and the average intensity value associated with the RTCs retired that year;

The RTCs retired in the compliance year were from one facility as noted in section 2c. The estimated CI score is 60 based on initial modeling utilizing the CA GREET model.

OAR 860-150-0600(2)(g): Detailed information about qualified investments made during the compliance year, including but not limited to:

- (A) The name of the facility where the qualified investment was made;
- (B) The location of the facility where the qualified investment was made, including the city/town, county, and state;
- (C) The type of facility. For example, the facility type includes but is not limited to a livestock feeding operation, a wastewater treatment plant, a food waste processing facility, a renewable-electricity-to-hydrogen, facility, and so forth;
- (D) The total quantity of RNG produced by or procured from that facility during the compliance year;
- (E) The expected future annual quantity of RNG to be produced by or procured from that facility;
- (F) The average RNG output of the facility expressed in standard cubic feet per minute;
- (G) The disposition of RNG produced by the facility but delivered to non-retail utility customers or to non-Oregon customers;
- (H) The number and value of RTCs acquired along with the RNG produced by the facility;
- (I) An estimate of the carbon intensity for RNG produced at the facility and using an appropriate pathway, pursuant to OAR 860-150-0050.

PROJECT # 1

- A. The name of the facility: Lexington Renewable Energy, LLC
- B. The location of the facility: Lexington, Dawson County, Nebraska
- C. The type of facility: Beef packaging facility
- D. The total quantity of RNG during the compliance year: This facility came online in January 2022 and, therefore, did not produce RNG in the compliance year (2021).
- E. The expected future annual quantity of RNG: Expected production in 2022 of 84,587 MMBtu/Year.
- F. The average RNG output of the facility: Not applicable in 2021. As stated above, the facility came online in January 2022.
- G. The disposition of RNG produced by the facility but delivered to non-retail customers or to non-Oregon customers: Not applicable in 2021. As stated above, the facility came online in January 2022.
- H. The number and value of RTCs acquired along with the RNG produced by the facility: Not applicable in 2021. As stated above, the facility came online in January 2022.
- I. An estimate of the carbon intensity for RNG produced at the facility and using an appropriate pathway, pursuant to OAR 860-150-0050: 32.57 g CO₂e/MJ

PROJECT #2

- A. The name of the facility where the qualified investment was made: Dakota City Renewable Energy, LLC
- B. The location of the facility where the qualified investment was made, including the city/town, county, and state: Dakota City, Dakota County, Nebraska
- C. The type of facility: Beef processing facility
- D. The total quantity of during the compliance year: This facility is under construction and did not produce RNG in the compliance year.
- E. The expected future annual quantity of RNG to be produced by or procured from that facility: [REDACTED] in 2023
- F. The average RNG output of the facility expressed in standard cubic feet per minute: Not applicable in 2021. The facility is currently under construction.
- G. The disposition of RNG produced by the facility but delivered to non-retail customers or to non-Oregon customers: Not applicable in 2021. The facility is currently under construction.
- H. The number and value of RTCs acquired along with the RNG produced by the facility: Not applicable in 2021. The facility is currently under construction.
- I. An estimate of the carbon intensity for RNG produced at the facility and using an appropriate pathway, pursuant to OAR 860-150-0050: 20.99 gCO₂e/MJ

OAR 860-150-0600(3): A large natural gas utility's annual compliance report must also include a detailed explanation of why the utility achieved, or did not achieve, that year's RNG target volume as specified in ORS 757.396 to include identifying challenges or barriers to RNG market growth.

Since the inception of the SB98 program, NW Natural has been pursuing opportunities related to the procurement of RNG with an eye towards thoughtful growth. The Company's overarching goal is to make prudent decisions regarding opportunities that will allow us to achieve the target of 5% of RNG for distribution to retail natural gas customers in Oregon by 2024 as well as plan for future growth. In a rapidly changing market, the Company is being very deliberate and thorough in the evaluation of opportunities for both the purchase of RNG as well as the development of RNG facilities that will facilitate an increase in the percentage of RNG in the system. We did not intend to meet the initial 5% target in 2021, but rather begin to secure resources to meet the 5% target before the first compliance period (through 2024) is over.

OAR 860-150-0600(4): A large natural gas utility must explain how annual RNG purchases and qualified investments made during the compliance year aligned with the actions described in the utility’s most recently acknowledged integrated resource plan.

The 2018 integrated resource plan (IRP) was the Company’s first to incorporate a wide range of environmental sensitivities in planning, recognizing the likelihood of some type of carbon pricing in Oregon and Washington. In addition to traditional resource options like pipeline expansions and increased storage, this plan analyzed low carbon gas supply options such as renewable natural gas and power-to-gas and developed a timeframe in which these resources may be cost-effective. At the time of the filing of the IRP, SB 98 was not law in Oregon, but RNG was considered a supply source on the planning horizon rather than a current resource available for immediate procurement.

OAR 860-150-0600(5): A large natural gas utility’s annual compliance report must include the total annual incremental costs incurred during the compliance year, calculated as described in OAR 860-150-0200, and expressed as a percentage of the utility’s total revenue requirement from its most recent normalized results of operations report.

Incremental cost in 2021: \$1,283,590.

Total revenue requirement from most recent normalized results of operations report: \$707,222,790

Percentage: 0.18%

OAR 860-150-0600(6): A small natural gas utility’s annual compliance report must include the total costs incurred during the compliance year for RNG purchases and qualified investments, expressed a percentage of the utility’s total revenue requirement approved by the Commission in its most recent general rate revision.

Not applicable. NW Natural is defined as a “large gas utility” per ORS 757.392(3).

OAR 860-150-0600(7): A small natural gas utility’s annual compliance report must include the total volume of RNG acquired during the compliance year, as well as this volume expressed as a percentage of the total volume of gas delivered to customers that year.

Not applicable. NW Natural is defined as a “large gas utility” per ORS 757.392(3).