

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 17, 2023**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** November 1, 2023

**DATE:** October 10, 2023

**TO:** Public Utility Commission

**FROM:** Bret Stevens

**THROUGH:** Bryan Conway and Marc Hellman **SIGNED**

**SUBJECT:** NORTHWEST NATURAL:  
(Docket No. ADV 1538/Advice No. 23-23)  
Schedule 60 Update

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Northwest Natural's (NW Natural, NWN, or Company) filing of Advice No. 23-23 associated with Schedule 60 effective for service on and after November 1, 2023.

**DISCUSSION:**

Issue

Whether the Commission should approve NW Natural's Advice No. 23-23, revising its Schedule 60 to enable recovery of the Company's costs associated with the Oregon Climate Protection Program.

Applicable Law

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable. 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.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

The Department of Environmental Quality's (DEQ) Oregon Climate Protection Program (CPP) rules are set forth in OAR 340-271-0010 through OAR 340-271-9000.

### Analysis

#### *Background*

On December 16, 2021, DEQ established the CPP, which sets a cap on greenhouse gas emissions from transportation fuels and natural gas.<sup>1</sup> Northwest Natural has begun procuring Renewable Natural Gas (RNG) and its associated environmental benefits in the form of Renewable Thermal Credits (RTC) under its SB 98 authority and in order to comply with the CPP. As part of its procurement of RNG, NW Natural has also acquired partial ownership in a RNG facility located in Lexington, Nebraska typically referred to as the "Lexington project".<sup>2</sup>

In Docket No. UG 435, Order No. 23-046, the Commission found the Lexington project should be considered primarily a CPP resource, and not an isolated project under SB 98.<sup>3</sup> The Commission amended Order No. 22-388 so that it reads, "We also direct that costs for the Lexington project shall be allocated to all non-storage customers on an equal cents per therm basis, unless and until a new cost allocation methodology is approved".<sup>4</sup> This directive was particularly meant to include both transportation and special contract customers in the allocation of costs related to NWN's CPP compliance. This filing amends the language of the special contracts under Schedule 60 to enable the recovery of these costs and other CPP compliance costs from such customers.

#### *Staff Analysis*

NW Natural has proposed to add standard language included in the Rates section of their other main rate schedules that would allow for the recovery of costs related to CPP compliance to be recovered under Schedule 60. This language reads:

The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments.

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<sup>1</sup> See DEQ Administrative Order No. DEQ-27-2021.

<sup>2</sup> This project is discussed at length in Docket No. UG 435.

<sup>3</sup> Order No. 23-046, page 4.

<sup>4</sup> See Order No. 22-388, page 79 and Order No. 23-046, page 5.

Specifically, this would allow Schedule 60 to be subject to the following applicable schedules:

- Schedule 171: Transportation Customer Renewable Natural Gas Offtake Costs;
- Schedule 151: Oregon Climate Protection Program Costs - Community Climate Investments (if approved by the Commission); and
- Schedule 198: Renewable Natural Gas Adjustment Mechanism.

Staff views these changes as in line with Order No. 22-388 and Order No. 23-046. This change will affect the eight special contract customers on Schedule 60. This filing has no direct impact on NW Natural's annual revenue as it is only changing the language of the tariff. However, it does allow rate changes to Schedule 60 in the future.

#### Conclusion

After reviewing NW Natural's filing, Staff recommends approval of this amendment to Schedule 60.

The Company has reviewed this memo and agrees with its content.

#### **PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's Advice No. 23-23, effective for service on and after November 1, 2023.