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August 3, 2020

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, #100
PO Box 1088
Salem, OR 97308-1088

Re: Docket No. UM 2030 – Phase II Comments of Alliance of Western Energy Consumers

Dear Filing Center:

Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide final comments on Northwest Natural Gas Company’s (“NW Natural”) Revised Appendix H to its 2018 Integrated Resources Plan (“IRP”). Revised Appendix H contains NW Natural’s proposed Renewable Gas Supply Resource Evaluation Methodology (“RNG Methodology”), which NW Natural proposes to use to evaluate low carbon resources against conventional gas resources. AWEC is supportive of voluntary programs that encourage bringing renewable natural gas (“RNG”) and other low carbon resources into the natural gas distribution system so long as gas quality is not degraded.

In Phase One of this investigation, NW Natural presented its updated RNG Methodology and AWEC and other stakeholders submitted comments on the updated methodology. While AWEC generally agreed with the framework of the RNG Methodology to compare RNG to conventional gas resources, AWEC expressed concerns about the limitations of the methodology and the need to have an independent prudence review for these types of projects.

In Phase Two of the investigation NW Natural filed confidential work papers that included the RNG Methodology as applied to a specific RNG project. Staff scheduled a workshop and stakeholders were able to ask questions about the RNG Methodology using a particular project as an example.

AWEC is generally supportive of the framework of the RNG Methodology as a starting point to compare a specific low carbon project to traditional gas resources. The RNG Methodology, however, will likely need to be revised as the RNG market develops in the Pacific Northwest and more projects come online.

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While AWEC supports use of the RNG Methodology as a starting point in the evaluation process, the RNG Methodology has many limitations. The RNG Methodology is simply intended to compare a particular project to traditional gas supply. While this comparison is useful, the RNG Methodology does not help evaluate the many different deal structures available for a particular project, which may be more beneficial to NW Natural's ratepayers. In other words, the methodology is only as good as the analysis that goes into developing a project, the negotiations between NW Natural and the counterparty, and the particular inputs used in the RNG Methodology.

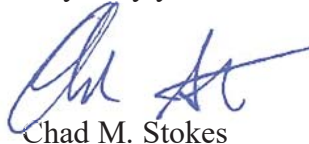
As mentioned above, there are many ways to structure a project and each project will require negotiation between NW Natural and the counterparty. Two similar projects could have very different structures. For example, NW Natural could acquire all or a portion of the commodity of a project, or NW Natural could buy the commodity and invest in infrastructure to connect the project to the gas system, or partner with a developer to share in the project costs, or the developer could pay for the infrastructure because it can finance the infrastructure at a lower cost than NW Natural. The RNG Methodology will not review whether NW Natural developed a structure for a deal that is in the best interest of its ratepayers, or one that is too favorable to NW Natural's shareholders or the developer. This type of analysis will need to happen in a prudence review on each particular project.

AWEC also has concerns about acknowledging a methodology to evaluate and secure RNG resources and questions the need and purpose of acknowledging the RNG Methodology. The determination of whether a project is in the best interest of customers and structured in a fair and balanced way should not be influenced by whether or not the RNG Methodology is acknowledged.

In an ideal world, NW Natural would be able to present each RNG project on a case-by-case basis in the IRP process. But it is likely that this process is too slow and may lead to lost cost-effective RNG procurement opportunities for NW Natural's customers. In such cases where time is of the essence, NW Natural should utilize its business judgment to determine if it should move forward with the project subject to a later prudence review.

Thank you for the opportunity to provide these comments in Phase II of this docket.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Chad M. Stokes".

Chad M. Stokes