



**CABLE HUSTON** LLP

CHAD M. STOKES

estokes@cablehuston.com

February 18, 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 – Comments of Alliance of Western Energy Consumers

Dear Filing Center:

Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide initial 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, which NW Natural proposes to use to evaluate low carbon resources on an “apples-to-apples” basis against conventional gas resources. NW Natural would like acknowledgement to use this methodology to evaluate and secure renewable natural gas (“RNG”) resources.

NW Natural proposes to use the methodology to evaluate RNG resources against conventional sources based on “all-in” costs rather than only comparing commodity costs. NW Natural defines “all-in” costs as:

= Commodity cost of gas + GHG Compliance costs + Supply Infrastructure Costs +  
Distribution System Capacity Costs

AWEC agrees that a more robust comparison using “all-in” costs is appropriate for evaluation of RNG resources. As provided in NW Natural’s Evaluation and Procurement Process Flowchart, if the RNG resource can be procured for a lower “all-in” cost than conventional gas, NW Natural would likely move forward with the project. On the other hand, if the RNG project is not cost effective using traditional least cost least risk planning, it could still be considered under Senate Bill 98 or a different program if the project benefits customers and is in the public interest.

AWEC has concerns about acknowledging a methodology to evaluate and secure RNG resources, especially with the uncertainty and quickly developing RNG market and potential carbon legislation currently under consideration in the Oregon Legislature. The evaluation

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methodology NW Natural develops and uses needs to be flexible so that it can evolve as the industry evolves and new laws and policies are enacted. Having said that, the methodology appears to be consistent with the following IRP guidelines:

IRP Guideline 1(a) states:

*All resources must be evaluated on a consistent and comparable basis. All known resources for meeting the utility's load should be considered, including supply-side options which focus on the generation, purchase and transmission of power – or gas purchases, transportation, and storage – and demand-side options which focus on conservation and demand response.<sup>1</sup>*

IRP Guideline 8(a) states:

*“The utility should construct a base-case scenario to reflect what it considers to be the most likely regulatory compliance future for carbon dioxide (CO<sub>2</sub>), nitrogen oxides, sulfur oxides, and mercury emissions. The utility also should develop several compliance scenarios ranging from the present CO<sub>2</sub> regulatory level to the upper reaches of credible proposals by governing entities.”<sup>2</sup>*

While AWEC supports having a framework or methodology to evaluate RNG resources, this should not be confused with pre-approval of a project or an assumption that a project is prudent just because the methodology was used to evaluate the project. Each project will need to be independently reviewed for prudence before costs are included in rates.

AWEC agrees with NW Natural that considering only the commodity costs of different resources is too limiting, and consideration of the “all in” costs is more appropriate. But the “all in” costs should be limited to current costs and not forecasted or assumed future costs. AWEC supports the frequency of updates to the evaluation methodology NW Natural proposes.

NW Natural indicates that it would prefer to have RNG projects reviewed on a case-by-case basis in the IRP process. AWEC would prefer this too. Notwithstanding, NW Natural argues that this process is too slow and may lead to lost cost-effective RNG procurement opportunities for NW Natural's customers. To the extent that a project is time sensitive, NW Natural should utilize its business judgment to determine if it should move forward with the project subject to a later prudence review.

While AWEC supports a voluntary effort to bring *incremental* RNG into the gas distribution system, the pricing and policies developed in this and other dockets should not be designed to compete with other RNG markets. AWEC understands the intent of Senate Bill 98 and this companion docket is to encourage the *incremental* development of RNG resources and not to compete with or attract RNG used in the transportation sector to the utility sector. RNG

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<sup>1</sup> See Order No. 07-047

<sup>2</sup> *Id.*

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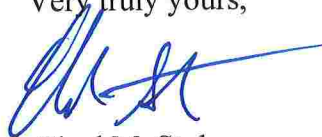
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developers may see value in a stable long term contract offered by a local distribution company compared to a higher priced short term deal in the compressed natural gas market.

NW Natural's proposed methodology is complex. As such, it is difficult to assess how this methodology works or could be improved in a vacuum. Phase II of this proceeding will be illustrative, demonstrate how resources will be evaluated and may provide a roadmap for improvements to the methodology. AWEC will provide more detailed comments in Phase II once the methodology can be applied to actual project(s).

Thank you for the opportunity to provide these comments and we look forward to participating in Phase II of this docket.

Very truly yours,



Chad M. Stokes