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NW Natural®

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June 30, 2023

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 calendar year 2022. **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

Enclosure

NW Natural Renewable Gas Program 2022 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 compliance report covers the period from January 1, 2022 through December 31, 2022.

The total volume of RNG received in M-RETS in the compliance year was [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth from the following sources:

- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth from BP Products North America Inc. in the form of RTCs from a food waste processing facility
- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth from Lexington Renewable Energy, LLC in the form of RTCs from a beef packaging facility

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 represents [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] 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;

BP Products North America Inc.: NW Natural purchased [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] RTCs from BP Products North America Inc. for [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. In addition, [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] was expended in 2022 for the retirement of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] RTCs. The source was Wasatch Resource Recovery, North Salt Lake, Utah.

Dakota City Renewable Energy, LLC: NW Natural has invested a total of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] in this qualified investment as detailed below:

- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] invested in 2022.
- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] invested in 2021.

Lexington Renewable Energy, LLC: NW Natural purchased [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] RTCs from its affiliate, Lexington Renewable Energy, LLC for a total of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. NW Natural agreed to a sharing mechanism as part of this affiliated interest transaction in docket UI 451.¹ Taking into account this sharing mechanism, the figure is reduced to [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].

NW Natural has invested a total of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] in this qualified investment as detailed below:

- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] invested in 2022.
- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] invested in 2021.
- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] invested in 2020.

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: A total of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth were purchased and received in M-RETS as outlined in section (2)(a).

Acquired: Not applicable.

Sold: Not applicable.

Transferred: Not applicable.

Retired: A total of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth were retired from the following sources:

- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth from BP Products North America Inc.
- [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth from Lexington Renewable Energy, LLC

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, 2022).

¹ In the Matter of Northwest Natural Gas Co., dba NW Natural, Request for Approval of an Affiliated Interest Agreement with Lexington Renewables, LLC, Docket UI 451, Order No. 22-211 (June 6, 2022).

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 range of carbon intensity values for the RTCs retired in the compliance year was 32.57-45.00 g CO₂e/MJ.
- The average intensity value for the RTCs retired in the compliance year was 38.79 g CO₂e/M .

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 produced by or procured during the compliance year: This facility came online in January 2022 and produced [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth in 2022. NW Natural procured [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth in the compliance year (2022). Note that there is a lag between when the RNG is produced versus when ownership of the RTCs is transferred to NW Natural in M-RETS.
- E. The expected future annual quantity of RNG to be produced by or procured from that facility: Expected production in 2023 of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] MMBtu/Year.
- F. The average RNG output of the facility: This facility came online in January 2022 and had an average output of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Dth a month in the compliance year (2022).

- G. The disposition of RNG produced by the facility but delivered to non-retail customers or to non-Oregon customers: NW Natural acquired 100% of the RTCs associated with the RNG volume as noted in item D for its Oregon customers. The underlying gas is injected into the Black Hills Energy pipeline system and marketed by Symmetry Energy Solutions, LLC.
- H. The number and value of RTCs acquired along with the RNG produced by the facility: NW Natural acquired 100% of the RTCs associated with the RNG volume noted in item D. NW Natural purchased RTCs from Lexington Renewable Energy, LLC for a total of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. Taking into account the sharing amount agreement with NW Natural, the figure is reduced to [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]. The volume produced was [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].
- 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: Dakota City Renewable Energy, LLC
- B. The location of the facility: Dakota City, Dakota County, Nebraska
- C. The type of facility: Beef processing facility
- D. The total quantity of RNG produced by or procured during the compliance year: Not applicable in 2022. The facility came online in April 2023.
- E. The expected future annual quantity of RNG to be produced by or procured from that facility: [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] MMBtu/Year in 2024.
- F. The average RNG output of the facility expressed in standard cubic feet per minute: Not applicable in 2022. As stated above, the facility came online in April 2023.
- G. The disposition of RNG produced by the facility but delivered to non-retail customers or to non-Oregon customers: Not applicable in 2022. As stated above, the facility came online in April 2023.
- H. The number and value of RTCs acquired along with the RNG produced by the facility: Not applicable in 2022. As stated above, the facility came online in April 2023.
- 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 SB 98 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 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. It was not our intention to meet the initial 5% target in 2022, but rather secure those resources that provide the greatest benefit to our customers.

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, neither SB 98 nor the Climate Protection Program existed in Oregon, and 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.

Percentage of the total revenue requirement: 0.86%

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).