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August 18, 2023

VIA ELECTRONIC FILING

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

**Re: UG 462 – NW Natural’s Renewable Natural Gas Adjustment Mechanism –
Dakota City; Comprehensive Stipulation**

Northwest Natural Gas Company, dba NW Natural, encloses for filing a comprehensive stipulation between NW Natural, Staff of the Public Utility Commission of Oregon, Oregon Citizens' Utility Board, and Alliance of Western Energy Consumers for the above-mentioned proceeding.

Please note, the stipulation contains confidential information that represents business sensitive, non-public information under General Protective Order No. 23-063.

Please address correspondence on this matter to me with copies to the following:

eFiling
Rates & Regulatory Affairs
NW Natural
250 SW Taylor Street
Portland, Oregon 97204
Phone: (503) 610-7330
Fax: (503) 220-2579
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

/s/ Ryan Sigurdson

Ryan Sigurdson
Regulatory Attorney (OSB #201722)
NW Natural

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 462

In the Matter of
NORTHWEST NATURAL GAS COMPANY,
dba NW NATURAL
Renewable Natural Gas Adjustment
Mechanism—Dakota City.

**COMPREHENSIVE
STIPULATION**

INTRODUCTION

1
2 The purpose of this Stipulation is to resolve all issues among NW Natural Gas
3 Company d/b/a Northwest Natural (NW Natural, or Company), Staff of the Public Utility
4 Commission of Oregon (Staff), Oregon Citizens' Utility Board (CUB), and Alliance of
5 Western Energy Consumers (AWEC) collectively, the "Stipulating Parties" in Docket UG
6 462, Renewable Natural Gas Adjustment Mechanism—Dakota City. The Stipulating
7 Parties are the only parties to this proceeding and expect that this Stipulation will fully
8 resolve the issues in this docket.

BACKGROUND

9
10 On February 28, 2023, NW Natural filed an application seeking to recover the costs
11 of the Dakota City RNG project under Schedule 198, Renewable Natural Gas Adjustment
12 Mechanism, of its tariff. Schedule 198 is an automatic adjustment clause that is designed
13 to recover the revenue requirement associated with the Company's prudently incurred
14 RNG investments.

15 On March 27, 2023, Administrative Law Judge Alison Lackey adopted an initial
16 procedural schedule for this docket. Consistent with this schedule, Staff, CUB, and

1 AWEC filed opening testimony on May 25, 2023, and NW Natural filed its reply testimony
2 on June 26, 2023. During this time, the Stipulating Parties met on June 5, July 17, July
3 19, and July 20, 2023 to discuss settlement. Due to these extensive settlement
4 discussions, Staff moved to modify the procedural schedule on July 21, 2023 in order to
5 provide additional time for Staff and intervenors' rebuttal and cross-answering testimony,
6 as well as the Company's surrebuttal testimony. On July 24, 2023, Administrative Law
7 Judge Katharine Mapes amended the procedural schedule as requested. Per this
8 amended procedural schedule, Staff, CUB, and AWEC filed rebuttal and cross-answering
9 testimony on July 31, 2023. The Stipulating Parties resumed settlement discussions on
10 August 4, 2023, and reached a settlement in principle on August 7, 2023. Based on this
11 settlement in principle, NW Natural moved to suspend the procedural schedule, which
12 was granted on August 8, 2023. This Stipulation memorializes the Stipulating Parties'
13 agreement.

14 **TERMS OF AGREEMENT**

15 The Stipulating Parties resolve all issues in this proceeding as follows:

- 16 1. Based on the terms of this Stipulation, the Stipulating Parties agree that NW
17 Natural's Dakota City RNG project is a prudent investment under ORS
18 757.390-398. NW Natural may recover the costs of this investment through
19 Schedule 198, Renewable Natural Gas Adjustment Mechanism, in
20 accordance with the terms of that schedule and this Stipulation.
- 21 2. The Stipulating Parties agree that NW Natural may only recover from
22 customers 75 percent of Dakota City RNG project costs that exceed the
23 annual indexed benchmark in Attachment 1. NW Natural will absorb the

1 remaining 25 percent of Dakota City RNG project costs above the annual
2 indexed benchmark and will not seek to recover any amount of that 25
3 percent from customers in any other proceeding. The indexed benchmark
4 is [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] per RTC. This
5 benchmark reflects the average price per RTC of the two lowest bids from
6 NW Natural's 2021 RFP, conducted near the time of the Dakota City
7 investment decision, that: i) the Company did not ultimately acquire, ii) met
8 all requirements under ORS 757.390-398 and OAR Chapter 860, Division
9 150, and iii) have a carbon intensity lower than conventional natural gas.
10 The Stipulating Parties agree this benchmark amount is appropriate but
11 may not agree on a methodology for setting a benchmark. The benchmark
12 is indexed to reflect that the Dakota City RNG project's higher revenue
13 requirement in earlier years will be reduced over time due to depreciation.

14 3. The Stipulating Parties agree that NW Natural will allocate the revenue
15 requirement of the Dakota City RNG project to all non-storage customers
16 on an equal cents per therm basis. Any Stipulating Party, however, may
17 argue that the Commission should reevaluate the rate spread associated
18 with Climate Protection Program compliance, including the rate spread
19 associated with the Dakota City RNG project, in NW Natural's next general
20 rate case.

21 4. The Stipulating Parties agree that NW Natural will include all Dakota City
22 Investment Tax Credits (ITCs) in determining the revenue requirement,
23 amortized on a straight-line basis over a five-year period beginning on the

1 date Dakota City is included in rates. The revised revenue requirement is
2 shown in Attachment 2. The ITC benefit so amortized will exclude rate
3 base, but will include both the recovery of the foregone tax depreciation and
4 the income tax expense savings associated with the ITCs. The Parties
5 believe it is unlikely that the ITC is subject to normalization requirements,
6 and as such, any inconsistency with tax normalization requirements is
7 inadvertent and unintentional. If the outcome of this Stipulation is found to
8 be inconsistent with tax normalization requirements the parties would
9 address that inconsistency at the next available opportunity (consistent with
10 Rev. Proc. 2017-47). All of the ITCs generated by Dakota City Renewable
11 Energy LLC will be included in determining the revenue requirement for the
12 benefit of ratepayers notwithstanding that some portion of the ITCs may be
13 allocated to LLC members other than NW Natural for income tax purposes.
14 In other words, customers will be held harmless.

15 5. By the end of the calendar year 2023, NW Natural will hold:

- 16 • A workshop covering RNG project risk modeling which identifies the
17 Company's current and future methodology; and
- 18 • A workshop covering resource evaluation.

19 All parties in docket LC 79 will be invited with a draft agenda circulated at
20 least four weeks prior to each workshop. Workshop participants may
21 request to have items added to the agenda up to two weeks prior to the
22 workshop. Two weeks prior to the workshops the Company will also
23 circulate (following relevant confidentiality considerations) any presentation

1 and underlying data to the Stipulating Parties, LC 79 parties and any other
2 parties that notify NW Natural that they plan to participate for evaluation.

3 6. NW Natural will hold an additional workshop with the Stipulating Parties
4 concerning the cost sharing condition of the Lexington RNG project. The
5 Stipulating Parties agree, based on the foregoing settlement terms above
6 and the additional conditions of approval in Attachment 3, to recommend
7 that the affiliated interest transaction submitted for approval in Docket UI
8 490 is fair and reasonable and not contrary to the
9 public interest.

10 7. The Stipulating Parties agree that this Stipulation is in the public interest,
11 and will result in rates that are fair, just and reasonable, consistent with the
12 standard in ORS 756.040.

13 8. This Stipulation will be offered into the record as evidence pursuant to OAR
14 860-001-350(7). The Stipulating Parties agree to support this Stipulation
15 throughout this proceeding and any appeal, provide witnesses to sponsor
16 this Stipulation at hearing, and recommend that the Commission issue an
17 order adopting this Stipulation. The Stipulating Parties also agree to
18 cooperate in drafting and submitting joint testimony or a brief in support of
19 this Stipulation in accordance with OAR 860-001-0350(7).

20 9. If this Stipulation is challenged, the Stipulating Parties agree that they will
21 continue to support the Commission's adoption of the terms of this
22 Stipulation. The Stipulating Parties each agree to cooperate and put on
23 such a case as they deem appropriate, in their sole discretion, to respond

1 fully to the issues presented, which may include raising issues that are
2 incorporated in the settlements embodied in this Stipulation.

3 10. The Stipulating Parties have negotiated this Stipulation as an integrated
4 document. If the Commission rejects all or any portion of this Stipulation or
5 imposes additional conditions in approving this Stipulation, any of the
6 Stipulating Parties are entitled to withdraw from this Comprehensive
7 Stipulation or exercise any other rights provided in OAR 860-001-0350(9).

8 11. By entering into this Stipulation, no Stipulating Party approves, admits, or
9 consents to the facts, principles, methods, legal positions or theories
10 employed by any other Stipulating Party in arriving at the terms of this
11 Stipulation, other than those specifically identified in the body of this
12 Stipulation. No Stipulating Party shall be deemed to have agreed that any
13 provision of this Stipulation is appropriate for resolving issues in any other
14 proceeding, except as specifically identified in this Stipulation. By entering
15 into this Stipulation, no Stipulating Party has waived any legal arguments
16 that it may have in any other proceeding, except as specifically identified in
17 this Stipulation.

18 12. The substantive terms of this Stipulation are not enforceable by any
19 Stipulating Party unless and until adopted by the Commission in a final
20 order. Each Stipulating Party avers that it is signing this Stipulation in good
21 faith and that it intends to abide by the terms of this Stipulation unless and
22 until this Stipulation is rejected or adopted only in part by the Commission.
23 The Stipulating Parties agree that the Commission has exclusive jurisdiction

1 to enforce or modify this Stipulation. If the Commission rejects or modifies
2 this Stipulation, the Stipulating Parties each reserve the right to seek
3 reconsideration or rehearing of the Commission order under ORS 756.561
4 and OAR 860-001-0720 or to appeal the Commission order under ORS
5 756.610.

6 13. This Stipulation may be executed in counterparts and each signed
7 counterpart shall constitute an original document. The Stipulating Parties
8 further agree that any electronically-generated Party signatures are valid
9 and binding to the same extent as an original signature.

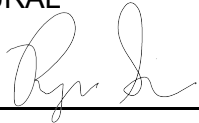
10

1 This Comprehensive Stipulation is entered into by each Stipulating Party on the
2 date entered below such Stipulating Party's signature.

DATED this 18 day of August 2023

NW NATURAL COMPANY D/B/A NW
NATURAL

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: 

By: _____

Date: August 18, 2023

Date: _____

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: _____

By: _____

Date: _____

Date: _____

1 This Comprehensive Stipulation is entered into by each Stipulating Party on the
2 date entered below such Stipulating Party's signature.

DATED this ___ day of August 2023

NW NATURAL COMPANY D/B/A NW
NATURAL

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: Johanna Rismenschneider

Date: _____

Date: August 18, 2023

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: _____

By: _____

Date: _____

Date: _____

1 This Comprehensive Stipulation is entered into by each Stipulating Party on the
2 date entered below such Stipulating Party's signature.

DATED this ___ day of August 2023

NW NATURAL COMPANY D/B/A NW
NATURAL

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY
CONSUMERS



By: _____

By: _____

Date: 8/18/2023

Date: _____

1 This Comprehensive Stipulation is entered into by each Stipulating Party on the
2 date entered below such Stipulating Party's signature.

DATED this ___ day of August 2023

NW NATURAL COMPANY D/B/A NW
NATURAL

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: _____

By: Chad Stokes  _____

Date: _____

Date: 8/18/2023 _____

Attachment 1

Annual Benchmark Index

The following table is used to determine cost sharing as described in paragraph 2 of the Stipulation.

[BEGIN CONFIDENTIAL]

<u>Settlement RTC Portfolio</u>		
	<u>Annual RTC cost</u>	<u>Index Fixed</u>
2023		1.518
2024		1.789
2025		1.610
2026		1.270
2027		1.189
2028		1.128
2029		1.111
2030		1.082
2031		1.033
2032		0.997
2033		0.955
2034		0.908
2035		0.864
2036		0.812
2037		0.767
2038		0.718
2039		0.670
2040		0.623
2041		0.567
2042		0.388
Average		1.000

[END CONFIDENTIAL]

**NW Natural - Dakota City - UG 462 Stipulation
Determination of Cost of Service
Dakota City RNG Costs from Nov 2023 - Oct 2024**

**NW Natural/Exhibit 201
Bourdo & Walker / Page 1**

	<u>Year 1</u>
Depreciation	416,718
O&M	849,898
Property Taxes	180,231
Taxes on Equity Return	
State and Federal Income Taxes	(230,950)
Total Taxes	(230,950)
Return on Rate Base	
Debt and Equity Return	792,870
Total Return	792,870
Subtotal Cost of Service	2,008,767
Revenue Sensitive Items	56,607
Total Cost of Service - Annual	<u><u>\$2,065,374</u></u>

Combined Overall Tax Rate (OR & Fed)	27.004%		
Property Tax Rate	1.500%		
Franchise Taxes	2.291%		
Commission Fee	0.430%	2.818% '---> (rev sens rate)	
Uncollectible Rate	0.097%		
	Capital		
	Structure	Rates	Post-Tax
Long-Term Debt	50.000%	4.271%	2.136%
Common Equity	50.000%	9.400%	4.700%
ROR			6.836%
Bonus Depreciation?	NO	0%	---> At 0%, no bonus depreciation.
Non-Bonus		100%	

Attachment 3

UI 490 Conditions of Approval Supported by UG 462 Parties

1. Environmental Risks including contamination to the site.

- a. NW Natural shall report any environmental liability or cleanup obligation by Dakota City Renewable Energy, LLC exceeding \$100,000, to be reported to the Commission within ten days of the time it becomes aware of such an issue.
- b. NW Natural shall establish and maintain safety standards and policies for Dakota City Renewable Energy, LLC, substantially comparable to or better than NW Natural's current standards and policies.
- c. NW Natural shall provide Staff, by the rate effective date, with a summary demonstrating in-force liability insurance coverage(s) were in place prior to the facility's commercial operation date for each of NW Natural, NW Natural RNG Holding Company, LLC, and Dakota City Renewable Energy, LLC.
- d. NW Natural shall observe and respect corporate formalities between NW Natural RNG Holding Company, LLC and Dakota City Renewable Energy, LLC. These include but are not limited to prohibiting commingling of assets, maintaining separate books and records, and maintaining sufficient capitalization.

2. Other Risks.

- a. NW Natural shall report to the Commission any event that materially impacts the operations and cost structure of the project within 10 days of becoming aware of such an event.
- b. Commission approval of the transaction extends only to the base term of the agreement filed in this docket, and NW Natural will obtain Commission approval before agreeing to any extension.
- c. All costs attributable to Dakota City Renewable Energy, LLC will be auditable by

Staff and the origin of such costs among the companies must be demonstrable, so as to be specifically identified, tracked for the Commission.

- d. NW Natural shall account for personnel time for the Dakota City Renewable Energy, LLC project following the same policies and practices of NW Natural's accounting for capital projects.

3. Regulatory Controls.

- a. NW Natural shall ensure Dakota City Renewable Energy, LLC will not, without the approval of the Commission:
 - i. Make loans or transfer funds (a) to another member or the manager, or (b) other than dividends and payments pursuant to the operating agreement or project contracts;
 - ii. Assume any obligation or liability as guarantor, endorser, surety, or otherwise (a) for another member or the manager, or (b) other than a reasonable obligation or liability pursuant to project contracts;
 - iii. Transfer any of its project assets or property (a) to another member or the manager, or (b) other than (1) sales of products generated by the project or (2) assets or property that is worn out, obsolete, no longer necessary or useful for the operation of the project, or in the reasonable judgment of NW Natural should be disposed of or replaced;
 - iv. Pledge or seek to pledge project assets or securities backing for any hedging, indebtedness, or securities (a) to another member or the manager, or (b) other than as reasonably undertaken pursuant to project contracts;
 - v. Enter into cross-default provisions with NW Natural or its subsidiaries (other than NW Natural RNG Holding Company, LLC); and
 - vi. Participate in a money pool (unless with NW Natural or its subsidiaries).

- b. NW Natural shall report to the Commission, within 10 days of the time it becomes aware of such an issue, any debt obligation or liability as guarantor, endorser, surety, or otherwise undertaken by BioCross LLC related to the project.
- c. Headquarters for Northwest Natural RNG Holding Company, LLC will remain in the state of Oregon.
- d. The venue for all disputes related to the endeavors of NW Natural RNG Holding Company, LLC will be Oregon. For Dakota City Renewable Energy, LLC, NW Natural RNG Holding Company, LLC will, as reasonably practicable, cause venue for all dispute provisions set forth in project contracts to be Oregon. Where the existing operating agreement requires settlement by arbitration, NW Natural will provide parties access to all submissions and the final order in the arbitration, subject in all respects to confidentiality or similar rules that are not reasonably within the control of NW Natural.

4. Access to Information.

- a. NW Natural will have the ability to access all records and information related to the construction and operation of the Dakota City biogas facility in the possession of NW Natural RNG Holding Company, LLC and Dakota City Renewable Energy, LLC and respond to Commission request at any time for such records and information. In response to a discovery request that is made in accordance with Commission rules, NW Natural will provide the parties with information relevant to the regulatory review of the project. NW Natural, in supporting this condition, does not waive any of its rights under applicable law or regulations to prevent or limit disclosure of certain information due to confidentiality, privilege, or any other basis established in law or Commission rules. Upon request from parties during a regulatory review, NW Natural will

also undertake reasonable efforts to obtain relevant information related to the construction and operation of the Dakota City biogas facility that is in the possession of entities that are not affiliated with NW Natural. NW Natural shall ensure that Dakota City Renewable Energy, LLC is subject to the same information sharing as NW Natural, including but not limited to access to books and records and meeting minutes.

- b. NW Natural shall make NWN Natural RNG Holding Company, LLC managing board members available to appear before the Commission.

5. Tax Conditions.

- a. If partnership allocations of income tax losses from Dakota City Renewable Energy, LLC to NW Natural RNG Holding Company LLC are limited/reduced on an annual basis compared to traditional utility ownership, NW Natural will notify interested parties in the annual affiliated interest report in Docket RG 8 and present a plan to address the matter. In future ratemaking proceedings, parties will be free to propose adjustments holding ratepayers harmless as if the assets were under traditional utility ownership.
- b. NW Natural will hold ratepayers harmless if any ITCs are allocated, directly or indirectly, to BiocarbN or Cross River Infrastructure Partners LLC working together as BioCross LLC so that ratepayers receive the full benefit of the ITCs.



CERTIFICATE OF SERVICE

I hereby certify that on August 18, 2023, I have served by electronic mail the foregoing confidential sections of the PARTIES' COMPREHENSIVE STIPULATION in docket UG 462 to those on the service list who have signed General Protective Order No. 23-063.

UG 462

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RYAN SIGURDSON (C)
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DATED August 18, 2023, Troutdale, OR.

/s/ Erica Lee-Pella

Erica Lee-Pella
Rates & Regulatory Affairs, NW Natural