

PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2023

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2023

DATE: October 11, 2023

TO: Public Utility Commission

FROM: Bret Stevens

THROUGH: Bryan Conway, Marc Hellman, Anna Kim, and Rawleigh White **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UG 482/Advice No. 23-15A)
Revises Schedule 171, Transportation Customer Renewable
Natural Gas Offtake Costs.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural's (NW Natural, NWN, or Company) Advice No. 23-15A associated with Schedule 171, effective for service on and after November 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 23-15A, revising its Schedule 171 rates to implement amortization of amounts allocable to transportation and special contract customers for the cost of renewable thermal certificates (RTC) associated with the purchase of renewable natural gas (RNG) in the upcoming 2023-24 PGA year offset by amounts deferred from the sale of RTCs through June 30, 2023.

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. ORS 757.220; OAR 860-022-0015. Tariff filings to be

effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

ORS 757.259(5) states that unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall be allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The Commission may require that amortization of deferred amounts be subject to refund. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

ORS 757.259(6) states that the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.

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.

Section 5 of Senate Bill (SB) 98, codified at ORS 757.396(1), authorizes large natural gas utilities to make qualified investments and procure renewable natural gas from third parties to meet portfolio targets for the percentage of gas purchased for distribution to retail natural gas customers in Oregon increasing from five percent currently to 30 percent in 2045.

OAR Chapter 860, Division 150 sets forth the requirements governing NWN's renewable natural gas program as they apply to purchases of renewable natural gas and qualifying investments in renewable gas infrastructure.

OAR Chapter 340 Division 271 sets forth the requirements of the Climate Protection Program (CPP).

Analysis

Background

NW Natural states that to demonstrate that RNG is being used to meet voluntary portfolio targets under SB 98, NW Natural must first retain the renewable thermal credits (RTCs) associated with the RNG. RTCs represent the environmental attributes of the RNG and are distinct from the energy content of that gas. If it seeks to credit the retained RTC against the SB 98 portfolio target for a given year, NW Natural must retire

the RTC in a tracking system operated by an independent third party (currently the Midwest Renewable Energy Tracking System ((M-RETS) per OAR 860-0150-0050(8)). By retaining and subsequently retiring the RTC associated with the RNG, NW Natural demonstrates that its customers are receiving the environmental attributes of the RNG without necessarily delivering the energy content of that gas to its customers.¹

NW Natural is also a “covered fuel supplier” under the CPP. The purchase of RNG and RTCs help reduce NWN’s CPP compliance obligation. As such, these costs are passed through to sales, transport, and special contract customers. CPP compliance costs are passed through to sales customers via the Weighted Average Cost of Gas (WACOG) in Schedule 164, whereas transport and special contract customers pay the remainder of these costs through Schedule 171. The compliance costs are spread to each of these groups on a per therm basis.

Staff Analysis

This year’s filing reflects cost recovery for two components. The first is the differential in the net cost of RTCs associated with the purchase and sales of RTCs in the 2022-2023 PGA year and what was collected in rates. The second is the forecasted cost of RTCs in the 2023-2024 PGA year. This year’s PGA filing includes three RNG transactions that were effective in 2021.² During its review of the Company’s filing, Staff has not become aware of any information indicating the deferred amounts were imprudently incurred.

¹ See *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Request for a General Rate Revision*, Docket No. UE 435, NW Natural/1100, Chittum/5.

² Additional details on RNG purchases for the 2023-2024 PGA year can be found in Exhibit D to NW Natural’s OPUC PGA Advice No. 23-19 filing in Docket No. UG 486 made concurrently with this filing. For more information, please see: *In the Matter of NORTHWEST NATURAL GAS COMPANY dba NW NATURAL*, Docket No. UG 486, Advice No. 22-15A, Exhibit D at 1-2.

Table 1 breaks down the amounts requested for recovery for both transportation and special contract customers by category.

[BEGIN CONFIDENTIAL]

[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[END CONFIDENTIAL]

A deferral for these costs was approved in Order No. 22-377 from August 15, 2022, through August 14, 2023. In this filing, only actuals incurred prior to June 30, 2023, were included. NW Natural submitted an update to this deferral on August 14, 2023, for the subsequent 12-month period which Staff notes is also before the Commission for approval in the October 26, 2023, Special Public Meeting.

The forecasted amount for each customer class was calculated by spreading the total forecasted RTC cost of roughly \$7.7 million on a per therm bases. The resulting allocation is shown in Table 2.

Table 2. Forecast Allocation by Customer Class

	Total Therms	Share of RTC Costs	Total Allocated Costs
Sales	771,096,658	69.47%	\$5,359,122
Transport	287,670,651	25.92%	\$1,999,311
Special Contract	51,198,641	4.61%	\$355,831

The net effect of this new tariff adjustment schedule is to decrease the Company's annual revenues by \$2,130,375, or about 0.25 percent.

The monthly bill of the average commercial firm transportation customers served under Rate Schedule 31 using 3,916 therms will see a decrease of \$29.33. The monthly decrease for the average industrial firm transportation Rate Schedule 31 customer

using 6,161 therms is \$46.15. The average commercial firm transportation Rate Schedule 32 customer using 19,973 therms will see a decrease of about \$149.60. The average industrial firm transportation Rate Schedule 32 customers using 77,536 therms will see a \$580.75 decrease. The average commercial interruptible transportation Rate Schedule 32 customer using 198,501 therms will see a decrease of \$1,486.77. Lastly, the average industrial interruptible transportation Rate Schedule 32 customers using 209,965 therms will see a decrease of \$1,572.64. In total, this change will affect 275 transportation customers and eight special contract customers.

Conclusion

Staff has reviewed the rates included in this filing and finds that the Company has accurately calculated and allocated its net RTC costs for transportation and special contract customers. Staff met with the Company to discuss this filing twice, once on October 2, 2023, and again on October 9, 2023. Staff also issued 17 data requests related to this filing.

Staff recommends approval of NW Natural's Advice No. 23-15A relating to its Schedule 171 rates, to reflect the cost of RTC associated with the purchase of RNG for the upcoming 2023-24 PGA year offset by amounts deferred in Docket No. UM 2252 from the sale of RTCs through June 30, 2023, for service rendered on and after November 1, 2023.

The Company has reviewed a draft of the memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 23-15A, effective for service on and after November 1, 2023.