



Oregon

Tina Kotek, Governor

Public Utility Commission

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October 17, 2023



BY EMAIL

Northwest Natural Gas Company

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RE: Advice No. 23-23

At the public meeting on October 17, 2023, the Commission adopted Staff's recommendation in this matter docketed as ADV 1538. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 17, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** November 1, 2023

DATE: October 10, 2023

TO: Public Utility Commission

FROM: Bret Stevens

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. ADV 1538/Advice No. 23-23)
Schedule 60 Update

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural's (NW Natural, NWN, or Company) filing of Advice No. 23-23 associated with Schedule 60 effective for service on and after November 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 23-23, revising its Schedule 60 to enable recovery of the Company's costs associated with the Oregon Climate Protection Program.

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.

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.

The Department of Environmental Quality's (DEQ) Oregon Climate Protection Program (CPP) rules are set forth in OAR 340-271-0010 through OAR 340-271-9000.

Analysis

Background

On December 16, 2021, DEQ established the CPP, which sets a cap on greenhouse gas emissions from transportation fuels and natural gas.¹ Northwest Natural has begun procuring Renewable Natural Gas (RNG) and its associated environmental benefits in the form of Renewable Thermal Credits (RTC) under its SB 98 authority and in order to comply with the CPP. As part of its procurement of RNG, NW Natural has also acquired partial ownership in a RNG facility located in Lexington, Nebraska typically referred to as the "Lexington project".²

In Docket No. UG 435, Order No. 23-046, the Commission found the Lexington project should be considered primarily a CPP resource, and not an isolated project under SB 98.³ The Commission amended Order No. 22-388 so that it reads, "We also direct that costs for the Lexington project shall be allocated to all non-storage customers on an equal cents per therm basis, unless and until a new cost allocation methodology is approved".⁴ This directive was particularly meant to include both transportation and special contract customers in the allocation of costs related to NWN's CPP compliance. This filing amends the language of the special contracts under Schedule 60 to enable the recovery of these costs and other CPP compliance costs from such customers.

Staff Analysis

NW Natural has proposed to add standard language included in the Rates section of their other main rate schedules that would allow for the recovery of costs related to CPP compliance to be recovered under Schedule 60. This language reads:

The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments.

¹ See DEQ Administrative Order No. DEQ-27-2021.

² This project is discussed at length in Docket No. UG 435.

³ Order No. 23-046, page 4.

⁴ See Order No. 22-388, page 79 and Order No. 23-046, page 5.

Specifically, this would allow Schedule 60 to be subject to the following applicable schedules:

- Schedule 171: Transportation Customer Renewable Natural Gas Offtake Costs;
- Schedule 151: Oregon Climate Protection Program Costs - Community Climate Investments (if approved by the Commission); and
- Schedule 198: Renewable Natural Gas Adjustment Mechanism.

Staff views these changes as in line with Order No. 22-388 and Order No. 23-046. This change will affect the eight special contract customers on Schedule 60. This filing has no direct impact on NW Natural's annual revenue as it is only changing the language of the tariff. However, it does allow rate changes to Schedule 60 in the future.

Conclusion

After reviewing NW Natural's filing, Staff recommends approval of this amendment to Schedule 60.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

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

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

First Revision of Sheet 60-2
Cancels Original Sheet 60-2

SCHEDULE 60 SPECIAL CONTRACTS (continued)

INTERNATIONAL PAPER COMPANY (Springfield, Oregon Plant)

Weyerhaeuser Paper Company transferred assignment of this Special Contract to International Paper Company, the purchaser of Weyerhaeuser's Springfield, Oregon Plant, through an Integrated Services Agreement, executed August 4, 2008.

Part 4 of the Integrated Services Agreement terminated July 1, 2009. Parts 2 and 3 terminated November 1, 2010.

ELIGIBILITY CRITERIA:

Customer is economically and physically capable of bypassing the Company's system.

High-Volume Firm Transportation Agreement:

Effective July 1, 1996, and for five (5) years from the date of initial deliveries of gas, and thereafter until terminated on the giving of not less than twelve (12) months' notice. Customer shall operate in accordance with the provisions of **Schedule T**.

RATES:

Transportation Service Charge:	\$ 1,000.00 per month
Transportation Capacity Charge:	\$36,000.00 per month
Transportation Commodity Charge:	\$0.0005 per therm

The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments. State taxes and any local franchise fees are added to the total of all charges. At any time after the first five (5) years of this Agreement, the Company, its sole discretion, may annually adjust the Transportation Service Charge and the Transportation Commodity Charge based upon the percentage change experienced in the Consumer Price Index (CPI).

(N)
(N)

(continue to Sheet 60-3)

Issued September 14, 2023
NWN OPUC Advice No. 23-23

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Second Revision of Sheet 60-3
Cancels First Revision of Sheet 60-3

SCHEDULE 60 SPECIAL CONTRACTS

(continued)

COLUMBIA PACIFIC BIO-REFINERY (Clatskanie, Oregon) (formerly known as Cascade Kelly Holdings, LLC, and Cascade Grain Products, LLC)
Special Firm Transportation Service Agreement.

ELIGIBILITY CRITERIA:

Customer (a) has met the criteria established by the Commission in Order No. 87-402; (b) agrees not to receive direct Sales or Transportation Service by direct ("bypass") connection with the Pipeline; (c) can demonstrate an ability to construct, own and operate a bypass pipeline having the ability to take delivery of Natural Gas from the Pipeline to serve the respective Natural Gas requirements of the Customer.

BASIC TERM:

Effective the seventh (7th) calendar day following receipt of approval of the Agreement from the OPUC, for fifteen (15) years, with an optional second primary term extension of ten (10) years; and year-to-year thereafter until terminated on the giving of not less than twelve (12) months' written notice.

MONTHLY RATES:

Capacity Service Charge:	\$20,000.00 per month
Volumetric Charge:	\$0.0025 per therm transported

At each anniversary of the service commencement date under the agreement after the first year of service, the volumetric charge will be increased in the amount of the Consumer Price Index change for All Urban Consumers – U.S. City Average for the preceding November through October period not to exceed three percent (3%). The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments.

(N)
(N)

Charges are subject to late payment charges as provided for in NW Natural's General Rules and Regulations, and to charges associated with gas management telemetry, or any additional services requested by Customer and provided by Company, such as telemetering or submetering.

Company will add to the total of all charges, the actual amounts payable by Company, if any, as city exactions or franchise taxes on account of revenues received by Company under this Agreement.

SPECIAL PROVISIONS:

1. Customer will operate in accordance with **Schedule T** and with the General Rules and Regulations contained in this Tariff.
2. Other special conditions are as specified in the Agreement.

(continue to Sheet 60-4)

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

First Revision of Sheet 60-4
Cancels Original Sheet 60-4

SCHEDULE 60 SPECIAL CONTRACTS (continued)

Georgia-Pacific West, Inc. (Halsey Mill) (*formerly known as James River Paper Co.*)
Special Transportation Service Agreement.

ELIGIBILITY CRITERIA:

Customer (a) is located such that it is economically physically capable of bypassing the Company's system; (b) has the capability of economically substituting an alternate fuel for current Natural Gas requirements; (c) holds firm capacity rights on the Pipeline, and agrees to provide Company with recall provisions during the winter heating season; and (d) agrees to a specified minimum monthly payment.

BASIC TERM: Effective July 1, 1993 for two (2) Years from the date of initial deliveries of gas, and thereafter until terminated on the giving of not less than twelve (12) months' notice.

RATES:

Customer Charge:	\$1,873/\$2,000 per month, without/with telemetry
Transportation Capacity Charge:	\$18,200 per month
Transportation Commodity Charge:	\$0.004 per therm

Minimum Monthly Bill: The Customer Charge plus the Transportation Capacity Charge, plus applicable taxes and fees.

The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments. State taxes and any local franchise fees are added to the total of all charges.

(N)
(N)

SPECIAL PROVISIONS:

1. This Agreement may be terminated and superseded at any time upon negotiation of a new agreement governing additional cogeneration load at Customer's plant.
2. Customer agrees to deliver to Company up to 10,000 Therms per day for up to fifteen (15) days per winter heating season (November through March). No single delivery shall exceed five (5) days. Subsequent deliveries in the same heating season shall begin no earlier than the 7th day following the date of the last delivery. Company will only request gas volumes from Customer when needed, in Company's sole judgement, to serve Firm Sales Customers.
3. Company will credit Customer's monthly gas bill in the month following a Company recall of a gas delivery in an amount equal to Customer's cost of replacing the Natural Gas delivered to Company with an alternate fuel, transported F.O.B. Halsey Mill.
4. Customer will operate in accordance with **Schedule T**.
5. Other special conditions specified in the Agreement.

(continue to Sheet 60-5)

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**SCHEDULE 60
SPECIAL CONTRACTS**

(continued)

MICROCHIP TECHNOLOGY, INC. (Gresham, Oregon Plant)

Special Firm Transportation Service Agreement.

ELIGIBILITY CRITERIA:

- (1) Customer took assignment of the Fujitsu Special Contract approved by the Oregon Public Utility Commission on January 22, 1997, but has given notice to NW Natural of its desire to terminate that contract;
- (2) Customer is economically and physically capable of bypassing NW Natural's system;
- (3) Customer has demonstrated the ability to construct, own and operate a bypass pipeline having the ability to take delivery of natural gas from Northwest Pipeline to serve the natural gas requirements of the facility;
- (4) Customer agrees not to receive Sales or Transportation Service via a bypass of Company's system during the effective term of this agreement;

BASIC TERM:

Effective on the first Gas Day following receipt of approval from the Oregon Public Utility Commission for fifteen (15) years, and thereafter extend year-to-year until terminated on the giving of not less than twelve (12) months' written notice.

RATES:

Capacity Service Charge: \$5,000.00 per month

Volumetric Charges:

1 st 200,000 therms/month	\$0.005 per therm transported
All additional therms/month	\$0.001 per therm transported

Minimum Monthly Charge: \$5,000.00

Adjustment to Rates:

- (1) The Company will add to the total of all charges, the actual amount of taxes payable by NW Natural, if any, as city exactions or franchise taxes on account of revenues received by NW Natural under this Agreement. The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments.
- (2) Charges are subject to periodic adjustments for costs incurred by the Company that are directly attributable to the Transportation of gas on account of Customer.

(N)
(N)

SPECIAL PROVISIONS:

- 1. Customer will operate in accordance with **Schedule T**.
- 2. Other special conditions are as specified in the Agreement.

(continue to Sheet 60-6)

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

First Revision of Sheet 60-6
Cancels Original Sheet 60-6

SCHEDULE 60 SPECIAL CONTRACTS (continued)

UNIVERSITY OF OREGON (EUGENE, OREGON)

Special Firm Transportation Service Agreement.

ELIGIBILITY CRITERIA:

Customer (a) has met the criteria established by the Commission in Order No. 87-402; (b) agrees not to receive direct Sales or Transportation service by direct ("bypass") connection with the Pipeline; (c) is a public agency in the state of Oregon holding tax exempt status; and (d) can demonstrate an ability to jointly construct, own and operate a bypass pipeline with another party or parties, having the ability to take delivery of Natural Gas from the Pipeline to serve the respective Natural Gas requirements of all parties.

BASIC TERM:

Effective March 18, 1997 for ten (10) years from the date approved by the Commission, and year-to-year thereafter until terminated on the giving of not less than twelve (12) months' written notice.

RATES:

Capacity Service Charge:	\$5,312.50 per month
Volumetric Charge:	\$0.00475 per therm transported
Minimum Monthly Charge:	\$5,312.50

The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments.

(N)
(N)

SPECIAL PROVISIONS:

1. The Agreement is contingent upon continuous service to the Customer and the Eugene Water & Electric Board (EWEB) under a Special Firm Transportation Service Agreement. In the event of termination by the EWEB, Customer will have the option to assume the obligations of that special agreement.
2. Customer will operate in accordance with **Schedule T**.
3. Other special conditions are as specified in the Agreement.

(continue to Sheet 60-7)

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

First Revision of Sheet 60-7
Cancels Original Sheet 60-7

SCHEDULE 60 SPECIAL CONTRACTS (continued)

OREGON STEEL MILLS, HEAT TREAT FACILITY (Portland, Oregon)

Special Firm Transportation Service Agreement.

ELIGIBILITY CRITERIA:

Customer (a) has met the criteria established by the Commission in Order 87-402; (b) agrees not to receive direct Sales or Transportation Service by direct ("bypass") connection with the Pipeline; and (c) can demonstrate an ability to jointly construct, own and operate a bypass pipeline with another party or parties, having the ability to take delivery of Natural Gas from the Pipeline to serve the respective Natural Gas requirements of all parties.

BASIC TERM:

Effective April 1, 1997 for an initial primary term of five (5) years from the date approved by the Commission, with an optional second primary term extension of five (5) years; and year-to-year thereafter until terminated on the giving of not less than twelve (12) months' written notice.

RATES:

Capacity Service Charge: \$8,750.00 per month
Volumetric Charge: \$0.00350 per therm transported
Minimum Monthly Charge: \$8,750.00

The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments. At any time after the first year of the primary term, the Company, in its sole discretion, may annually adjust the Volumetric Charge based upon the percentage change experienced in the Consumer Price Index for All Urban Consumers – U.S. City Average for the preceding November through October period.

(N)
(N)

Charges under this schedule are subject periodic adjustments for costs incurred by the Company that are directly attributable to the Transportation of gas on account of Customer.

SPECIAL PROVISIONS:

1. Customer will operate in accordance with **Schedule T**.
2. Other special conditions are as specified in the Agreement.

(continue to Sheet 60-8)

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P.U.C. Or. 25

First Revision of Sheet 60-8
Cancels Original Sheet 60-8

SCHEDULE 60 SPECIAL CONTRACTS (continued)

COLUMBIA STEEL CASTING COMPANY, INC. (Portland, Oregon)

Special Firm Transportation Service Agreement.

ELIGIBILITY CRITERIA:

Customer (a) has met the criteria established by the Commission in Order No. 87-402; (b) agrees not to receive direct Sales or Transportation Service by direct ("bypass") connection with the Pipeline; and (c) can demonstrate an ability to jointly construct, own and operate a bypass pipeline with another party or parties, having the ability to take delivery of Natural Gas from the Pipeline to serve the respective Natural Gas requirements of all parties.

BASIC TERM:

Effective April 1, 1997 for an initial primary term of five (5) years from the date approved by the Commission, with an optional second primary term extension of five (5) years; and year-to-year thereafter until terminated on the giving of not less than twelve (12) months' written notice.

RATES:

Capacity Service Charge: \$8,750.00 per month
Volumetric Charge: \$0.00350 per therm transported
Minimum Monthly Charge: \$8,750.00

The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments. At any time after the first year of the primary term, the Company, in its sole discretion, may annually adjust the Volumetric Charge based upon the percentage change experienced in the Consumer Price Index for All Urban Consumers – U.S. City Average for the preceding November through October period.

(N)
(N)

Charges are subject periodic adjustments for costs incurred by the Company that are directly attributable to the Transportation of gas on account of Customer.

SPECIAL PROVISIONS:

1. Customer will operate in accordance with **Schedule T**.
2. Other special conditions are as specified in the Agreement.

(continue to Sheet 60-9)

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NORTHWEST NATURAL GAS COMPANY

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First Revision of Sheet 60-9
Cancels Original Sheet 60-9

SCHEDULE 60 SPECIAL CONTRACTS (continued)

DYNO NOBEL, INC. (St. Helens, Oregon) (*formerly known as Coastal St. Helens Chemical (St. Helens, Oregon)*)
Special Firm Transportation Service Agreement.

ELIGIBILITY CRITERIA:

Customer (a) has met the criteria established by the Commission in Order No. 87-402; (b) Customer agrees not to receive direct Sales or Transportation Service by direct ("bypass") connection with the Pipeline; and (c) can demonstrate an ability to construct, own and operate a bypass pipeline having the ability to take delivery of Natural Gas from the Pipeline to serve the respective Natural Gas requirements of the Customer.

BASIC TERM:

Effective June 1, 1997 for ten (10) years, and year-to-year thereafter until terminated on the giving of not less than twelve (12) months' written notice.

ASSIGNMENT: Special Contract was assigned on January 21, 2004, by Coastal St. Helens Chemical to Dyno Nobel, Inc., effective December 3, 2003.

MONTHLY RATES:

Capacity Charge: \$13,333.00 per month
Volumetric Charge: \$0.00500 per therm

The rates shown in this Rate Schedule may not always reflect actual billing rates. See Schedule 100 for a list of applicable temporary adjustments. Company will add to the total of all charges, the actual amounts payable by Company, if any, as city exactions or franchise taxes on account of revenues received by Company under this Agreement.

(N)
(N)

Charges are subject periodic adjustments for costs incurred by the Company that are directly attributable to the Transportation of gas on account of Customer.

SPECIAL PROVISIONS:

1. Customer will operate in accordance with **Schedule T**.
2. Other special conditions are as specified in the Agreement.

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