

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UG 487

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY dba NW NATURAL,

Updates to Schedule 198, Renewable  
Natural Gas Adjustment Mechanism.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Special Public Meeting on October 26, 2023, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.



BY THE COMMISSION:

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**Nolan Moser**  
Chief Administrative Law Judge

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA26

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

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

**DATE:** October 16, 2023

**TO:** Public Utility Commission

**FROM:** Curtis Dlouhy

**THROUGH:** Bryan Conway, Marc Hellman, Anna Kim, and Scott Gibbens **SIGNED**

**SUBJECT:** NORTHWEST NATURAL:  
(Docket No. UG 487/Advice No. 23-20A)  
Revises Schedule 198, Renewable Natural Gas Automatic Adjustment Clause.

**STAFF RECOMMENDATION:**

The Oregon Public Utility Commission (Commission) should approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) proposed Schedule 198 tariff revisions, as described in Docket No. UG 487, effective for service rendered on and after November 1, 2023.

**DISCUSSION:**

Issue

Whether the Commission should approve NW Natural's request to revise Schedule 198, Renewable Natural Gas Automatic Adjustment Clause (RNG AAG).

Applicable Rule or 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 757.259(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.

With certain exceptions, 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.

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

### Analysis

#### *UG 487 As Filed*

On July 31, 2023, NW Natural filed its Advice No. 22-20 to request an update to its RNG AAC in Schedule 198 for inclusion in rates effective November 1, 2023. The Company updates this schedule annually with its Purchased Gas Adjustment (PGA) filing. NW Natural's Schedule 198 recovers the costs of its RNG investments. To date, Schedule 198 has only been used to recover the costs of its Lexington facility. Lexington was deemed prudent by the Commission in Order No. 22-388 in the Company's last general rate case, UG 435.<sup>1</sup> In that order, the Commission also adopted proposals that allow the RNG AAC to be updated only on November 1 of each year, that project costs should not be deferred between the in-service and rate-effective dates, and that any difference between forecasted and actual RNG costs be subject to a deferral with an earnings test with a 50 basis point deadband.<sup>2</sup>

<sup>1</sup> Order No. 22-388, page 62.

<sup>2</sup> Order No. 22-388, page 82.

In UG 487, the Company updates the parameters associated with its Lexington facility that was initially put into rates on November 1, 2022. The Company filed replacement sheets on September 14, 2023, that updated its deferral calculation and added a non-combustion related rate.<sup>3</sup> Staff has found no issues with these updated workpapers and finds that the values reflected in the workpapers appear to be consistent with the RNG AAC language approved in Order No. 22-388.

The net effect of this filing increases the Company's Oregon revenues by 0.12 percent and would recover \$0.00249 per therm through Schedule 198 based on forecasted revenue requirement, true-up deferral from last year's forecast and the sharing deferral from the Company's Lexington renewable natural gas project of \$2,773,939.<sup>4</sup> The Company's forecasted revenue requirement, true-up deferral from last year's forecast and the sharing deferral for the recovery of the Lexington RNG project in the September 14 filing is included below.

**NW Natural**  
**Rates & Regulatory Affairs**  
**2023-2024 PGA Filing - Oregon: September Filing**  
**PGA Effects on Revenue**  
**UG 487: Renewable Natural Gas Adjustment Mechanism**

	<b>Including Revenue Sensitive Amount</b>
1	
2 <b><u>Permanent Increments</u></b>	
3	
4 <u>Removal of Current Permanent Increments</u>	
5 Schedule 198 Amounts	(\$1,719,294)
6	
7 <u>Addition of Proposed Permanent Increments</u>	
8 Schedule 198 Amounts	2,773,939
9	
10	
11 <b>TOTAL OF ALL COMPONENTS OF RATE CHANGES</b>	<b><u>\$1,054,645</u></b>
12	
13	
14 2022 Oregon Earnings Test Normalized Total Revenues	\$849,278,042
15	
16 Effect of this filing, as a percentage change (line 11 ÷ line 14)	0.12%

*Expected Effects of UG 462*

When discussing UG 487, Staff feels it necessary to highlight the ongoing docket investigating the prudence and cost recovery of the Dakota City RNG project in UG 462. While a Commission Order has not been filed as of writing this memo, parties have

<sup>3</sup> See the Company's filing in UG 487 on September 14, 2023.

<sup>4</sup> Page 9 of the Company's September 14, 2023 filing.

reached an all-party settlement on the prudence of the Dakota City RNG project and its cost recovery. Parties filed joint testimony in support of the stipulation on August 30, 2023.<sup>5</sup>

Should the Commission ultimately adopt the Parties’ stipulation in UG 462, the costs of the Dakota City RNG project would also go into rates on November 1, 2023. According to the Company’s initial filing in UG 462, the Company seeks to recover an additional revenue requirement of \$2,065,374 associated with the Dakota City RNG project.<sup>6</sup> Docket No. UG 462 – Parties Comprehensive Stipulation, Attachment 2 contains a breakdown of the Dakota City revenue requirement and is reproduced below. This would be recovered on a \$0.00186 per therm rate spread among all customer classes. The breakdown of costs from Parties Comprehensive Stipulation in UG 462 is included below.

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

	Year 1			
Depreciation	416,718	Combined Overall Tax Rate (OR & Fed)	27.004%	
O&M	849,898	Property Tax Rate	1.500%	
Property Taxes	180,231	Franchise Taxes	2.291%	
		Commission Fee	0.430%	2.818% <small>↳ (rev sens rate)</small>
		Uncollectible Rate	0.097%	
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			
<b>Total Cost of Service - Annual</b>	<b>\$2,065,374</b>			

  

	Capital Structure	Rates	Post-Tax
Long-Term Debt	50.000%	4.271%	2.136%
Common Equity	50.000%	9.400%	4.700%
<b>ROR</b>			<b>6.836%</b>
Bonus Depreciation?	NO	0% <small>↳ At 0%, no bonus depreciation.</small>	
Non-Bonus		100%	

While any final rate impacts cannot be determined until the conclusion of UG 462, for informational purposes, Staff provides an estimated total Schedule 198 rate impact should the Commission ultimately adopt Parties’ recommendation to approve the Dakota City RNG project as filed with no additional changes. Should this occur, Staff estimates that the total Schedule 198 rate inclusive of Lexington and Dakota City would be approximately \$4.8 million or \$0.00435 per therm, which would increase the Company’s Oregon revenues by 0.37 percent in total.

Staff notes that a Commission order in UG 462 is expected prior to the Special Public Meeting for the Purchased Gas Adjustments on October 26, 2023. Once an Order is

<sup>5</sup> See UG 462, Parties’ Joint Testimony in Support of Stipulation, filed on August 30, 2023.

<sup>6</sup> See UG 462, Parties’ Comprehensive Stipulation, Attachment 2

issued, Staff intends to verify any amounts included in rates from the Dakota City RNG Project and be prepared, to the extent feasible, to provide updated values that reflect final revenue requirement and rates at the Special Public Meeting.

Conclusion

Staff finds that the revisions proposed in this filing regarding the Lexington RNG project meet the requirements of applicable law and previous Commission Orders. Based on its review of this filing and the associated work papers, Staff recommends approval of NW Natural's proposed rates associated with Lexington in Schedule 198.

**PROPOSED COMMISSION MOTION:**

Approve NW Natural's proposed revisions to Schedule 198, Renewable Resource Automatic Adjustment Clause, with Advice No. 23-20A, effective for service rendered on and after November 1, 2023.

NWN UG 487 – RNG AAC