

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 513

In the Matter of

NORTHWEST NATURAL GAS
COMPANY dba NW NATURAL,

Advice No. 24-14, Updates Schedule 171,
Renewable Natural Gas Transportation
Allocation.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Special Public Meeting on October 29, 2024, 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:

Alison Lackey
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. CA24

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 29, 2024**

REGULAR ____ **CONSENT** **X** **EFFECTIVE DATE** **November 1, 2024**

DATE: October 15, 2024

TO: Public Utility Commission

FROM: David Abraham

THROUGH: Caroline Moore, Scott Gibbens, Anna Kim, and Ted Drennan **SIGNED**

SUBJECT: **NORTHWEST NATURAL:**
(Docket No. UG 513/Advice No. 24-14)
Revises Schedule 171, Transportation Customer Renewable Natural
Gas Offtake Costs.

STAFF RECOMMENDATION:

Staff recommends approval of Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 24-14 associated with Schedule 171, effective for service rendered on and after November 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 24-14, revising its Schedule 171 rates to implement amortization of amounts previously deferred and collected for renewable natural gas (RNG) purchases that were allocated to transport and special contract customers prior to the invalidation of the Climate Protection Program (CPP).

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 757.220 and OAR 860-022-0015. Tariff filings to be effective no less than 30 days following notice of the change may be authorized with a

Docket No. UG 513/Advice No. 24-14
October 29, 2024
Page 2

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 set forth the requirements of the Climate Protection Program (CPP); the rules were invalidated by the Oregon Court of Appeals in *NW Natural v. Environmental Quality Commission*, 329 Or App 648 (2023).

Analysis

Background

The Oregon Environmental Quality Commission (EQC) adopted rules in 2021 to implement Oregon's CPP, which set a limit on greenhouse gas emissions from fossil fuels used throughout the state of Oregon. As a natural gas local distribution company, NW Natural was considered a "covered fuel supplier" under the CPP.¹ The purchase of

¹ Former OAR 340-271-0020(15), (2023).

Docket No. UG 513/Advice No. 24-14
October 29, 2024
Page 3

RNG helped reduce NWN's CPP compliance obligation. As such, these costs were passed through to sales, transport, and special contract customers.

On December 20, 2023, the Oregon Court of Appeals determined that the CPP rules adopted by the EQC are invalid. The Alliance of Western Energy Consumers (AWEC) subsequently filed an application for deferred accounting for costs and expenses incurred by transportation and special contract customers.² AWEC proposed deferred accounting to create a regulatory liability that could be refunded to transport and special contract customers and collected from sales customers in a future rate filing. The Commission approved AWEC's application on April 2, 2024, in Order No. 24-086, in Docket UM 2309.

Amounts previously deferred and collected for RNG purchases under docket UM 2252 that were allocated to transport and special contract customers after the invalidation of the CPP are proposed to be reallocated to sales customers.³

Staff Analysis

This year's filing reflects recovery for the net cost of Renewable Therm Credits (RTC) for transportation and special contract customers in the 2023-2024 PGA year and what was collected in rates prior to the invalidation of the CPP. During its review of the Company's filing, Staff has not identified any information indicating the deferred amounts were imprudently incurred.

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

² *In the Matter of Alliance of Western Energy Consumers, Application for an Accounting Order Requiring Northwest Natural Gas Company to Defer Expenses and Costs associated with the Climate Protection Plan Costs for Transportation and Special Contract Customers*, Docket No. UM 2309, (Dec. 27, 2023).

³ See *In the Matter of NWN RNG Adjustment Mechanism*, Docket UG 516, Advice No. 24-17. See also NW Natural 2024 PGA, UG 518, Advice No. 24-19.

Docket No. UG 513/Advice No. 24-14
 October 29, 2024
 Page 4

Table 1. Deferral Rebate Decomposition

	Transportation	Special Contract
June 2024 Deferral/Amortization Balances	\$ (419,030)	\$ (25,931)
+ Jul - Oct Amortization Activity	\$ 755,082	\$ 78,986
+ Jul - Oct Estimated Interest	\$ 2,294	\$ 652
+ Estimated Interest During Amortization	\$ 9,978	\$ 1,584
= Total Rebate Revenue	\$ 348,324	\$ 55,291

The net effect of this new tariff adjustment schedule is to increase the Company's annual revenues by \$742,514, or about 0.08 percent.

The monthly bill of the average commercial firm transportation customers served under Rate Schedule 31 using 3,758 therms will see an increase of \$10.30. The monthly increase for the average industrial firm transportation Rate Schedule 31 customer using 6,890 therms is \$18.88. The average commercial firm transportation Rate Schedule 32 customer using 19,501 therms will see an increase of about \$53.44. The average industrial firm transportation Rate Schedule 32 customers using 75,569 therms will see a \$207.05 increase. The average commercial interruptible transportation Rate Schedule 32 customer using 199,597 therms will see an increase of \$546.89. Lastly, the average industrial interruptible transportation Rate Schedule 32 customers using 198,801 therms will see an increase of \$544.71. In total, this change will affect 276 transportation 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 incurred prior to the invalidation of the CPP. Staff recommends approval of NW Natural's Advice No. 24-14 relating to its Schedule 171 rates for service rendered on and after November 1, 2024.

PROPOSED COMMISSION MOTION:

Approve NW Natural's Advice No. 24-14, effective for service rendered on and after November 1, 2024.