

January 19, 2021

VIA ELECTRONIC FILING

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: Docket UG-21 _____—Affiliated Interest Filing—NW Natural Gas Company and Lexington Renewables, LLC

Under the provisions of RCW 80.16.020 and in accordance with WAC 480-90-245, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), provides notice of an affiliated interest transaction with Lexington Renewables LLC (“Lexington”) for the purchase of environmental attributes associated with renewable natural gas (“RNG”).

NW Natural is, indirectly, the controlling member of Lexington. RCW 80.16.010 includes in its definition of “affiliated interest”, “every corporation five percent or more of whose voting securities are owned by any person or corporation owning five percent or more of the voting securities of such public service company or by any person or corporation in any such chain of successive ownership of five percent or more of voting securities.” Therefore, the ownership interest of NW Natural in Lexington creates an affiliated interest relationship between the two entities.

This is the first transaction that NW Natural has entered into to acquire RNG. It involves purchasing the output of an RNG project developed by Lexington that is scheduled to commence service on December 1, 2021. The project is located next to a Tyson Fresh Meats beef packaging plant in Lexington, Nebraska and will use anaerobic digester technology to convert animal waste and other byproducts from the plant into RNG. The project is expected to produce approximately 1.9 million therms of RNG per year. This RNG will be injected into the Black Hills Energy local distribution system, and will generate Renewable Thermal Certificates¹ that will be used, at least initially, to meet RNG targets under Oregon law.² The Company has not yet determined if the project will serve Washington customers at some point in the future.

¹ A “Renewable Thermal Certificate” is “a unique representation of the environmental attributes associated with the production, transport, and use of one dekatherm of renewable natural gas.” OAR 860-150-0010(16).

² ORS 757.396; OAR 860-150-0050.

A verified copy of the base contract for sale and purchase of natural gas, as well as the transaction confirmation, is included with this Notice as Confidential Attachment A. In accordance with WAC 480-07-160, NW Natural requests confidential treatment for Attachment A, as well as certain information provided in this Notice, on the basis that the documents contain “valuable commercial information, including trade secrets or confidential marketing, cost, or financial information, or customer-specific usage and network configuration and design information,” as provided in RCW 80.04.095 and in accordance with WAC 480-07-160(2)(c). Also included with this filing is a verification that the agreement is a true and accurate copy of the original.

This transaction is reasonable and in the public interest because it facilitates the decarbonization of NW Natural's gas business at a reasonable cost. The cost of the RNG will be \$█/MMBtu over a █-year term. The price will be adjusted for inflation and reflects the cost to produce the RNG from the project. After acquiring the RNG, NW Natural intends to retain the environmental attributes of the RNG by using Renewable Thermal Certificates to meet Oregon (and potentially future Washington RNG targets), and the physical gas will be sold to third parties. NW Natural expects that the total cost to customers will be approximately \$█/MMBtu over the life of the project, which represents the cost of the environmental attributes.

Finally, under RCW 80.16.020, public service companies shall file a verified copy of a contract or arrangement for the purchase of a property right between the public service company and any affiliated interest before the effective date of the contract or arrangement. NW Natural regrets that it did not provide notice to the Commission prior to the effective date of the contract (December 29, 2020). This was an unfortunate oversight on our part due to the unique nature of the transaction, and because the Company will not receive any RNG from this transaction until December 2021. NW Natural takes its compliance responsibilities very seriously and will ensure that it provides prompt notice of similar transactions in the future.

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

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If you have any questions, please contact me.

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Sincerely,

/s/ Ryan Sigurdson

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Attachments

NEW-NWN-Affiliated-Interest-CLtr-1-19-2021 (C)
NEW-NWN-Affiliated-Interest-Verification-1-19-2021
NEW-NWN-Affiliated-Interest-Attach-A-1-19-2021(C)
NEW-NWN-Affiliated-Interest-Attach-A-1-19-2021(R)