

Agenda Date: December 19, 2024  
Item Number: A4

**Docket:** UG-240885  
Company: Northwest Natural Gas Company d/b/a NW Natural  
Staff: Kody McConnell, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the proposed Schedule 308 filed on November 15, 2024, to revise Tariff WN U-6 and become effective by operation of law on January 1, 2025.

### **Summary of Filing**

This filing proposes a revision to tariff Schedule 308 as requested by Northwest Natural Gas Company d/b/a NW Natural (Company) related to compliance with Engrossed Substitute Senate Bill 5126, the Washington State Climate Commitment Act (CCA). This revision to Schedule 308 represents the Company's proposal for the recovery of actual and anticipated costs and the passback of actual and anticipated revenues received from CCA compliant cap-and-invest market operations from January 2024 through April 2026.

This proposed update and revision to tariff Schedule 308 will decrease overall annual revenues of the Company by \$1,620,363 or 1.33 percent. Differential bill impacts exist across various ratepayer schedules, as well as within schedules where connections to the Company's distribution system occurred on or after July 25, 2021. Typical non-low-income residential ratepayers connected to the system prior to July 25, 2021 and consuming an average 57 therms per month can expect a bill decrease of \$5.80, or 6.9 percent. The same class of residential ratepayers connected to the system on or after July 25, 2021, consuming an average 57 therms per month can expect a bill decrease of \$14.62, or 15 percent. Small commercial ratepayers consuming an average 254 therms per month can expect a bill decrease of \$65.15, or 9.2 percent if connected to the system prior to July 25, 2021, and \$65.15, or 15.9 percent if connected on or after July 25, 2021. About 5.47 percent of current utility ratepayers were connected to the Company's distribution system on or after July 25, 2021.

The Company also provides notice that future Schedule 308 tariff revisions and associated proposals to use CCA allowance consignment revenues to fund programs that include, but are not limited to, weatherization, decarbonization, conservation and efficiency services, and bill assistance will have May 1 effective dates beginning in 2026.

### **Background**

On October 4, 2023, in Docket UG-230819 the Company introduced Schedule 308, Washington Climate Commitment Act, to track and account for actual and projected allowance purchase costs and consignment revenues related to cap-and-invest carbon emissions market operations from January 1, 2023, through December 31, 2024. Following its review by the Washington State

Utilities and Transportation Commission (Commission), Schedule 308 was initially approved subject to conditions in Order 01 on December 22, 2023, with the ultimate prudence examination of the costs included in that docket to occur upon conclusion of the 2023-2026 CCA compliance period. Actual total cost recovery for January 1, 2023, to December 31, 2024, period is within 0.03 percent of the approved projection with an overcollection deferral balance of only \$183,058.

### **Discussion**

Commission staff (Staff) began its review of the revised Schedule 308 and associated workbooks on November 19, 2024. Staff supports the Company's proposal to continue including the net differences between projected and actual costs from 2024 with estimated costs for 2025 and the first four months of 2026 within the regulatory liability deferral account to help manage future rate adjustments. Staff also supports the Company's decision to shift the effective dates of future Schedule 308 cost recovery tariff revision filings from January 1 to May 1 to reduce rate volatility from adjustments of non-volumetric credits in peak winter consumption periods.

In determining forecast prices for 2025 and 2026 emission allowance vintages, the Company relies upon the summary of allowance instrument allocations provided by the Department of Ecology combined with current futures contract data from the third-party Nodal exchange. Staff contrasted these price estimates with futures contract data from the third-party Intercontinental Exchange for equivalent allowance instruments and finds the Company's projections reasonable.

Beyond CCA cost recovery, Schedule 308 also has a revenue component related to consigning allowances to auction and a requirement that this revenue be used to benefit ratepayers in such manner as approved by the Commission. At minimum, this includes eliminating any additional cost burden to low-income customers due to the implementation of the CCA. The allowance consignment revenues can be returned to low-income, residential, and commercial ratepayers through non-volumetric utility bill credits or to offset program costs related to weatherization, decarbonization, conservation and efficiency services, or additional utility bill assistance.

Staff communicated with and solicited comments from interested parties throughout the review of the Company's proposal. At this time no objections to Staff's recommendation have been raised for consideration or discussion at open meeting. No public comments have been received. The Company began notifying its customers of the proposed rate change on November 15, 2024.

Finally, Staff recommends that for future tariff revision filings affecting Schedule 308, Climate Commitment Act, that the Commission require the Company provide a 60-day review period. The Company has communicated its non-objection to this filing requirement for its next update.

### **Conclusion**

Staff deems the Company's narrative and supportive workbooks to be reasonable and finds the tariff revisions represented within the proposed Schedule 308 to be fair, just, and sufficient.

Staff recommend the Commission take no action, thereby allowing the proposed Schedule 308 filed on November 15, 2024, to revise Tariff WN U-6 and become effective by operation of law on January 1, 2025.