

Agenda Date: March 10, 2022
Item Number: A3

Docket: UG-210972
Company: Northwest Natural Gas Company d/b/a NW Natural
Staff: Jade Jarvis, Regulatory Analyst

Recommendation

Take no action, thereby allowing Northwest Natural Gas Company's tariff revisions to go into effect March 11, 2022, by operation of law.

Background

On December 21, 2021, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed with the Washington Utilities and Transportation Commission (Commission) revisions to its Tariff WN U-6 to implement a voluntary renewable natural gas (RNG) program. The filing was made pursuant to RCW 80.28.390, which requires all natural gas companies to "offer by tariff a voluntary renewable natural gas service available to all customers to replace any portion of the natural gas that would otherwise be provided by the gas company."¹

NW Natural is the third of the state's four natural gas local distribution companies (LDCs) to propose such an offering. In addition to RCW 80.28.390, discussion between the Company and Commission staff (Staff) has largely been informed by the RNG policy statement (policy statement) issued by the Commission in December 2020.²

Discussion

Program Design

NW Natural differs from the other LDCs in that it will include RNG as part of its existing Smart Energy carbon offset program, rather than offering RNG as a standalone option. NW Natural's Smart Energy program allows its Washington customers to voluntarily mitigate greenhouse gas emissions associated with their natural gas use through offset projects developed by The Climate Trust. The proposed tariff revision would add RNG as a mitigation resource such that a mix of RNG and carbon offsets will be used to offset participants' emissions. The company will strive for RNG to account for four percent of the carbon offset mix, with the other 96 percent coming from the existing offset projects developed through the Smart Energy Program. NW Natural proposes to include RNG in the offset mix starting July 1, 2022.

¹ RCW 80.28.390.

² "Report and Policy Statement on Investigation on Renewable Natural Gas Programmatic Design and Pipeline Safety Standards," December 16, 2020. Docket U-190818. (policy statement)

The Smart Energy Program has different rate options for each customer class. Residential customers may choose between a fixed rate of \$5.50 per month or a volumetric rate of about \$0.10 per therm. Commercial customers may choose a fixed rate of not less than \$10.00 per month, or a negotiated price pursuant to the execution of a written contract for customers with an annual aggregate usage of 100,000 therms or more.³ Industrial customers may negotiate a monthly price, subject to negotiation and pursuant to the execution of a written contract. There are currently no Washington industrial customers enrolled in the Smart Energy Program.

Customers currently enrolled in the Smart Energy program, or those who sign up prior to the July 1, 2022, start date, may remain at the current rate until they opt into the new program or otherwise cease to be a Smart Energy or NW Natural customer. Residential customers who wish to participate in the new RNG-supplemented Smart Energy program will see both fixed and volumetric rates increase by about 45 percent. Commercial and industrial customers will need to revisit their contracts with NW Natural to allow rates to reflect the new costs of the RNG offset mix. Table 1 below describes the current and proposed residential customer rates under the new program.

Table 1: Residential Customer Rate Options

	Current Offering	Proposed Offering
Fixed Rate	\$5.50 per month	\$8.00 per month
Volumetric Rate	\$0.10486 per therm	\$0.15246 per therm
Mitigation Resources	Carbon offsets	A mix of RNG and carbon offsets, with target of 4% RNG. The percentage of RNG included in the mix may vary but must be at least 1%.

While incorporating RNG into the existing Smart Energy Program will reduce additional administrative and outreach costs, RNG is still more expensive compared to alternative carbon offset sources. Offering RNG as a standalone option next to cheaper offsets in the Smart Energy program might result in little to no RNG uptake from NW Natural customers. Incorporating RNG into the existing offset mix will enable customers to affordably use RNG to mitigate their emissions while stimulating the nascent industry.

³ There are currently no commercial customers exercising the negotiated pricing option in NW Natural's Washington service territory.

Tracking, Reporting and Sourcing

NW Natural plans to use the Midwest Renewable Energy Tracking System (M-RETS) for the tracking, verification, and banking of RNG environmental attributes. The Commission expressed a strong desire for all four LDCs to use the same tracking and verification system, and specifically mentioned M-RETS as a preferred tracking system.⁴ NW Natural will be purchasing renewable thermal credits (RTCs) equivalent to the volumes of RNG necessary to support the first few years of its program from BP Products North America, Inc., which has sourced the fuel from a generator in Utah.⁵ As RNG will be incorporated into the Company's existing Smart Energy program, NW Natural plans to add RNG-related elements to their annual Smart Energy reports.

Stakeholder Feedback

Staff reached out to the Northwest Energy Coalition (NWEC), and the Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel). Staff was notified by NWEC of a member organization, Washington Environmental Council, which had concerns about the transparency of NW Natural's RNG program. Staff met with these stakeholders to discuss their concerns on Thursday February 17. Upon Staff's recommendation, NW Natural hosted a meeting with Staff and the Washington Environmental Council stakeholders on March 2, 2022. A thorough discussion about the source, tracking, and verification of RNG and its environmental attributes took place between NW Natural and Washington Environmental Council representatives.

Recommendation

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⁴ Policy statement at 43, 46.

⁵ The generator is Wasatch Resource Recovery, using Biomethane produced from the high-solids (greater than 15 percent total solids) anaerobic digestion of food and green wastes as a feedstock for the RNG.