



250 SW Taylor Street  
 Portland, OR 97204

September 14, 2020

NWN Advice No. WUTC 20-9 / UG \_\_\_\_\_

**VIA ELECTRONIC FILING**

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

**Re: Annual Purchased Gas Cost and Deferred Gas Cost Amortization Adjustments**

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company) files herewith the following revisions to its Tariff WN U-6, stated to become effective with service on and after November 1, 2020.

Twenty-Sixth Revision of Sheet 201-1	Schedule 201	Temporary (Technical) Adjustments to Rates
Seventeenth Revision of Sheet 201-2	Schedule 201	Temporary (Technical) Adjustments to Rates
Twenty-Eighth Revision of Sheet 203-1	Schedule 203	Purchased Gas Cost Adjustments to Rates
Third Revision of Sheet P.1	Schedule P	Determination of Company's Purchased Gas Cost Adjustments and Weighted Average Cost of Gas
Third Revision of Sheet P.3	Schedule P	Determination of Company's Purchased Gas Cost Adjustments and Weighted Average Cost of Gas

**Purpose**

The purposes of this filing are to revise NW Natural's tariffs for: (1) the effects of changes in purchased gas costs; (2) the effects of changes in deferred gas cost amortization adjustments; and, (3) the update of language in Schedule P to clarify that future costs associated with renewable natural gas will be included in the Company's gas purchases and the Purchased Gas Adjustment mechanism.

In addition, in compliance with the March 17, 2020 acknowledgment letter from the Washington Utilities and Transportation Commission (Commission) in docket UG-190725, NW Natural provides its Annual Hedging Plan.

The Company revises rates for these purposes annually; the last such filing was effective on November 1, 2019.

## **Background**

Each year NW Natural seeks to change rates to reflect the projected cost of natural gas pursuant to tariff Schedule P, Determination of Company's Purchased Gas Cost Adjustments and Weighted Average Cost of Gas. Schedule 203 sets forth the estimated purchased natural gas costs for the forthcoming year beginning November 1. The difference between the actual costs of natural gas purchased and the amount collected from customers are passed through to customers through Schedule 201.

## **Proposed Changes**

### 1. Purchased Gas Adjustment (PGA)

This portion of the filing shows: (a) the cost of gas purchased by the Company from its natural gas suppliers, and the derivation of the Annual Weighted Average Cost of Gas (WACOG) (aka commodity rate) and the Winter Weighted Average Cost of Gas proposed to be applied to rates effective November 1, 2020; and (b) the cost of pipeline and storage capacity under contract with the Company's pipeline transporters, and the derivation of the firm and interruptible demand charges (aka pipeline capacity charge) proposed to be applied to rates effective November 1, 2020.

Including revenue sensitive effects, the proposed Annual WACOG is \$0.26333 per therm; the proposed Winter WACOG is \$0.28450; the proposed firm service pipeline capacity cost is \$0.10141 per therm, and the proposed interruptible service pipeline capacity cost is \$0.03542.

The net effect of the combined purchased gas adjustments in this filing is an increase of \$0.05093 per therm for firm sales rate schedules and an increase of \$0.05710 per therm for interruptible sales rate schedules.

Should there be a subsequent change in the pipeline's rates or other gas supply costs from levels used to determine the adjustments the Company proposes in this filing, then the Company will reflect such changes to Washington gas customers in a manner approved by the Commission.

### 2. Temporary Rate Adjustment

This portion of the filing shows the account balances in deferred gas cost accounts (Account 191) and calculates the associated adjustments to rates for the amortization of such credit or debit balances.

Collections and refunds under the temporary rate adjustments do not affect the Company's earnings because the accruals to these accounts already have been reflected in recorded results.

The new temporary adjustments include the following:

1. A 12-month amortization of collection balances in accounts 191420 and 191421. The balance in 191420 relates to commodity gas costs incurred above amounts collected in rates during the current PGA period that began on November 1, 2019. The balance in account 191421 is the forecasted residual balance related to deferrals from the previous PGA year that is included in current rates.
2. A 12-month amortization of balances in accounts 191430, 191431 and 254302. The balance in 191430 represents the amount the Company over-collected from its Washington

customers during the past year for demand charges. Account 191431 is the remaining unamortized amount from a consolidation of demand-related deferred accounts. Account 254302 relates to the deferral of storage-related off system sales.

It should be noted that the adjustments to rates proposed in this filing represent only part of the changes in customer rates proposed to be effective November 1, 2020 (see also NW Natural's WUTC Advice Nos. 20-5 through 20-8). As such, the bill effects stated herein are provided for illustrative purposes only, and reflect the effect of removing the current Schedule 201 and Schedule 203 changes and applying the proposed Schedule 201 and Schedule 203 changes to current billing. NW Natural provides the combined effects of this filing and NW Natural's WUTC Advice No. 20-5 through 20-8 separately in NW Natural's WUTC Advice No. 20-10.

If there were no other adjustments to rates effective November 1, 2020, the effect of the rate changes proposed in this filing is an increase to the average monthly bills in the primary rate schedules as follows: Schedule 2 Residential bills will increase by 3.7% and Schedule 3 commercial bills will increase 4.0%. If the effects of the temporary rate adjustments were permanent, the combined result of the rate changes would be an increase in the Company's revenues from its Washington operations of \$3,130,645.

In addition to the supporting materials submitted as part of this filing, the Company will separately submit workpapers in electronic format, all of which are incorporated herein by reference.

### 3. Renewable Natural Gas (RNG)

This portion of the filing clarifies that the costs associated with the purchase of RNG will be included in the PGA mechanism in Schedule P of NW Natural's tariff. These proposed changes would allow the Company to recover projected and actual RNG costs. Although the Company believes that RCW 80.28.385 and NW Natural's current tariff language already allows for this, this clarification is made out of an abundance of caution.

RCW 80.28.385 provides that the Company may propose an RNG program to serve its retail customers subject to review and approval by the Commission. NW Natural intends to pursue such a program by including RNG costs in future PGA filings for review and approval by the Commission. The Company expects to review RNG costs in these filings with Commission Staff to ensure that the customer charge for its RNG program do not exceed five percent of the amount charged to retail customers for natural gas per RCW 80.28.385(1).

NW Natural acknowledges that RCW 80.28.385(2) provides that the environmental attributes of RNG must be retired using procedures established by the Commission and may not be used for any other purpose. Until such procedures are established, NW Natural will track and hold the related environmental attributes and ensure that they are not used for any other purpose.

NW Natural is committed to following the provisions of RCW 80.28.385. However, because these provisions are already specified in the statute, the Company believes it is not necessary to repeat this language in Schedule P.

Finally, the Company notes that the Washington legislature recently passed RCW 80.28.390, which requires gas companies to offer a voluntary RNG tariff to their customers. Such a tariff would allow customers to choose to purchase RNG in lieu of conventional natural gas subject to reasonable limits based on the availability of RNG. In compliance with the statute, NW Natural intends to file

such a tariff. However, the amount of RNG that customers voluntarily purchase under this tariff will not flow through the PGA. Instead it will be accounted for separately, as will the setting of the rates for the voluntary program. Only the amount of RNG not purchased by customers through the voluntary tariff will flow through the PGA mechanism.

**Annual Hedge Plan**

In compliance with the Commission’s March 17, 2020 acknowledgment letter in docket UG-190725, NW Natural has included its Annual Hedging Plan as part of this PGA filing. The enclosed Annual Hedging Plan is in compliance with the March 13, 2017 Policy and Interpretive Statement in docket UG-132019. **The information contained in the plan is confidential pursuant to WAC 480-07-160 as the plan contains proprietary commercial information.**

**Conclusion**

The Company respectfully requests that the tariff sheets filed herewith be approved to become effective with service on and after November 1, 2020.

This rate change affects all of NW Natural’s Washington sales customers. NW Natural currently serves approximately 81,360 residential customers and 7,278 business and industrial customers in the Company’s Washington service territory.

In accordance with WAC 480-90-198 and WAC 480-90-194(5), the Company declares that notice to customers is made in accordance with WAC 480-90-194(4). The notice will be published in the Company’s customer newsletter, the Comfort Zone. A copy of the text for the Comfort Zone is included with the Company’s PGA combined effects filing, WUTC Advice No. 20-10.

As required by WAC 480-80-103(4)(a), I certify that I have authority to issue tariff revisions on behalf of NW Natural.

Copies of this letter and the attached filing are available in the Company’s main office in Portland, Oregon, and on its website at [www.nwnatural.com](http://www.nwnatural.com).

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

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Sincerely,

NW NATURAL  
*/s/ Natasha Siores*

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Attachments:

NEW-NWN-Advice-20-9-PGA-Trf-Sheet-201-1-09-14-2020  
NEW-NWN-Advice-20-9-PGA-Trf-Sheet-201-2-09-14-2020  
NEW-NWN-Advice-20-9-PGA-Trf-Sheet-203-1-09-14-2020  
NEW-NWN-Advice-20-9-PGA-Trf-Sheet-P-1-09-14-2020  
NEW-NWN-Advice-20-9-PGA-Trf-Sheet-P-3-09-14-2020  
NEW-NWN-Advice-20-9-PGA-Exh-A-Supporting-Materials-09-14-2020  
NEW-NWN-Advice-20-9-PGA-Exh-A-Supporting-Materials-xlsx-09-14-2020  
NEW-NWN-Advice-20-9-PGA-Hedging-Plan-09-14-2020 (C)  
NEW-NWN-Advice-20-9-PGA-Hedging-Plan-09-14-2020 (R)