

## 2025-26 WASHINGTON PGA NW NATURAL – Renewable Natural Gas (RNG)

The following is included within this filing:

- Attachment 1: Anew [REDACTED] Incremental Cost Model
- Attachment 2: Anew [REDACTED] Environmental Attributes Purchase Agreement
- Attachment 3: [REDACTED] Incremental Cost Model
- Attachment 4: [REDACTED] Environmental Attributes Purchase Agreement
- Attachment 5: [REDACTED] Transaction Contract
- Attachment 6: 2025 NWN RFP
- Attachment 7: 2025 Element Responses to RFP
- Attachment 8: Henry Hub gas curves

### RNG FACT SHEET INCLUDED IN PGA FILING

RNG Deal	Transaction No. 1
<b>Seller</b>	Anew RNG LLC
<b>Buyer</b>	Northwest Natural Gas Company
<b>Project</b>	[REDACTED]
<b>Product</b>	Environmental Attributes
<b>Contract Price</b>	[REDACTED]
<b>Contract Quantity</b>	660,000 RTCs estimated annual generation (8.37% allocated to Washington)
<b>Delivery Deadline</b>	Immediately following the production of the Biomethane
<b>Start Date</b>	01/01/2025
<b>Delivery Term</b>	1 year
<b>Certification Standard</b>	Public Utility Commission of Oregon, Order No. 20-227, RCW 80.28.385.
<b>Tracking System</b>	Midwest Renewable Energy Tracking System, Inc (M-RETS)
<b>CI Score</b>	42

RNG Deal	Transaction No. 2
<b>Seller</b>	[REDACTED]
<b>Buyer</b>	Northwest Natural Gas Company
<b>Project</b>	[REDACTED]
<b>Product</b>	Environmental Attributes and commodity gas
<b>Contract Price</b>	[REDACTED]
<b>Contract Quantity</b>	371,109 estimated annual generation (8.37% allocated to Washington)
<b>Delivery Deadline</b>	Immediately following the production of the Biomethane
<b>Start Date</b>	Commercial Operation Date, estimated to be 10/01/2025
<b>Delivery Term</b>	15 years
<b>Certification Standard</b>	Public Utility Commission of Oregon, Order No. 20-227, RCW 80.28.385.
<b>Tracking System</b>	Midwest Renewable Energy Tracking System, Inc (M-RETS)
<b>CI Score</b>	42

## **RNG SOLICITATION/SELECTION PROCESS**

To determine which RNG projects to pursue, NW Natural uses its risk adjusted incremental cost methodology established in Oregon Public Utility Commission docket UM 2030. This methodology is used to assess the ratepayer costs and benefits of NW Natural-owned RNG projects and third-party RNG contracts. In other words, the methodology assists in determining the least cost/least risk RNG projects, whether they be RNG purchases or projects developed by NW Natural.

NW Natural applies its risk adjusted incremental cost methodology to all potential utility RNG investments and RNG purchase opportunities. The Company develops its portfolio of RNG purchase opportunities by conducting an annual Request for Proposals (RFP) as well as evaluating other opportunities that arise outside of the RFP process throughout the year. In 2025, NW Natural received a total of 83 proposals from 50 responders for its RFP. We use our same evaluation approach and incremental cost analysis to compare all available resources – both offtakes and developments – on the same incremental cost basis so that at any point, we have visibility into whether a certain resource appears to be a better choice for customers than another.

### **2025 RFP Evaluation process:**

1. Each proposal is reviewed to verify it meets the general qualifications as stated in the RFP. If the proposal does not meet these qualifications, the evaluation may not continue to the next step.
2. A risk-adjusted incremental cost model is completed for each accepted proposal. For bundled products, an assumption is made for the commodity price if the proposal does not indicate a fixed commodity price. The model will be based on information provided in the proposal such as volume, term, price, and assessed risk.
3. The proposals are ordered by the calculated incremental cost from lowest to highest. The proposals with the lowest 33% of incremental cost are placed on the short list and advanced to the next step in the evaluation process.
4. The short-listed proposals are assigned a score for risk-adjusted incremental cost (90%), local economic benefit (5%), and contract equity (5%).
5. The risk-adjusted incremental cost of the short-listed resources are compared to the risk-adjusted incremental cost of other opportunities available outside of the RFP. Those proposals that compare favorably to these other opportunities are pursued further, while those that do not are rejected. The RFP scoring categories of local economic benefit and contract equity are considered when comparing proposals that are comparable in cost.
6. Competitive proposals then follow the same process as opportunities that arose outside of the RFP, including due diligence, contract negotiations, and recommendations to management.

## **RNG INCLUSION CONSISTENT WITH RCW 80.28.385**

RCW 80.28.385 allows NW Natural to acquire RNG, even if the cost of that gas exceeds the cost of conventional natural gas. Schedule P of NW Natural's tariff already established a "renewable natural gas program" per RCW 80.28.385(1) by permitting the Company to acquire RNG and recover those costs from its customers. NW Natural will also retire the environmental attributes of RNG consistent with RCW 80.28.385(2) by utilizing the M-RETS tracking system per Commission direction.<sup>1</sup> Finally, the incremental cost of NW Natural's RNG acquisitions do not exceed 5% of its revenue requirement as specified in RCW 80.28.385(1) (see below).

## **RNG ALLOCATION**

In the 2025-26 PGA, NW Natural allocated 8.37% of the total costs of the above RNG purchases to Washington customers and 91.63% to Oregon customers. This allocation approach is intended to keep RNG-related costs neutral for Washington customers during the 2025-26 PGA.

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<sup>1</sup> RNG Policy Statement, Docket U-190818, para. 43 (Dec. 16, 2020).

# REVENUE REQUIREMENT CALCULATION

Based on NW Natural’s most recent rate case, the incremental costs of NW Natural’s RNG acquisitions do not exceed 5% of its revenue requirement.

Contracts	Incremental Cost (WA Allocation)
Transaction 1	
Transaction 2	
TOTAL	

RNG Acquisitions of Revenue Requirement	
RNG Incremental Costs	
UG-200994 Revenue Requirement	\$86,133,927
% of Revenue Requirement	