2024-25 WASHINGTON PGA NW NATURAL – Renewable Natural Gas (RNG)

The following is included within this filing:

- o Attachment 1: Anew Incremental Cost Model
- O Attachment 2: Anew Environmental Attributes Purchase Agreement
- o Attachment 3: Terreva Incremental Cost Model
- O Attachment 4: Terreva Environmental Attributes Purchase Agreement
- o Attachment 5: Piedmont Transaction Contract
- O Attachment 6: 2024 NWN RFP
- O Attachment 7: 2024 Element Responses to RFP
- o Attachment 8: Henry Hub gas curves

RNG FACT SHEET INCLUDED IN PGA FILING

RNG Deal	Transaction No. 1	
Seller	Anew RNG LLC	
Buyer	Northwest Natural Gas Company	
Project	McCommas Bluff Gas Plant	
Product	Environmental Attributes	
Contract Price	[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]	
Contract Quantity	660,000 RTCs estimated annual generation (10.8% allocated to Washington)	
Delivery Deadline	Immediately following the production of the Biomethane	
Start Date	01/01/2025	
Delivery Term	1 year	
Certification Standard	Public Utility Commission of Oregon, Order No. 20-227, RCW 80.28.385.	
Tracking System	Midwest Renewable Energy Tracking System, Inc (M-RETS)	
CI Score	42	

RNG Deal	Transaction No. 2	
Seller	Terreva Renewables LLC	
Buyer	Northwest Natural Gas Company	
Project	Terreva Wayne County RNG Plant & Terreva Catawba RNG Plant	
Product	Environmental Attributes and commodity gas	
Contract Price	[BEGIN HIGHLY CONFIDENTIAL] [END H	IGHLY
	CONFIDENTIAL]	
Contract Quantity	526,985 estimated annual generation (10.8% allocated to Washington)	
Delivery Deadline	Immediately following the production of the Biomethane	
Start Date	06/01/2025	
Delivery Term	15 years	
Certification Standard	Public Utility Commission of Oregon, Order No. 20-227, RCW 80.28.385.	
Tracking System	Midwest Renewable Energy Tracking System, Inc (M-RETS)	
CI Score	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 2024, NW Natural received a total of 53 proposals from 34 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.

Attachments 1-5 list the newly executed transactions since the last purchase gas adjustment. Among the opportunities that were available at the time, these offtake contracts had the lowest risk adjusted incremental cost.

2024 RFP Evaluation process:

- 1. Each proposal was reviewed to verify it meets the general qualifications as stated in the RFP. If the proposal did not meet these qualifications, the evaluation did not continue to the next step.
- 2. A risk-adjusted incremental cost model was executed for each proposal. The model is based on information provided in the proposal such as volume, term and offtake price.
- 3. The proposals were ordered by the calculated incremental cost from smallest to largest. The proposals with the lowest 33% of incremental cost were placed on the short list and moved on to the next step in the evaluation process.
- 4. The calculated risk-adjusted incremental costs of the short-listed resources are compared to the incremental cost of other opportunities available outside of the RFP.
- 5. Short listed opportunities were interviewed, and a risk assessment was completed. Risk assessments were based on a pass-fail basis, and opportunities that failed were removed from the list.
- 6. Competitive proposals then follow the same process as opportunities that arose outside of the RFP, including risk assessment, 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. 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 2024-25 PGA, NW Natural allocated 89.2% of the total costs of the above RNG purchases to Oregon customers and 10.8% to Washington customers. This allocation is based on the total forecasted sales volumes in both states.

¹ 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)	
Anew	[BEGIN HIGHLY CONFIDENTIAL]	
	[END HIGHLY	
	CONFIDENTIAL]	
Terreva	[BEGIN HIGHLY CONFIDENTIAL]	
	[END HIGHLY	
	CONFIDENTIAL]	
TOTAL	[BEGIN HIGHLY CONFIDENTIAL]	
	[END HIGHLY	
	CONFIDENTIAL]	

RNG Acquisitions of Revenue Requirement		
RNG Incremental Costs	[BEGIN HIGHLY	
	CONFIDENTIAL]	
	[END	
	HIGHLY	
	CONFIDENTIAL]	
UG-200994 Revenue Requirement	\$86,133,927	
% of Revenue Requirement	[BEGIN HIGHLY	
	CONFIDENTIAL]	
	[END HIGHLY	
	CONFIDENTIAL]	