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UTIL. AND TRANSP
COMMISSION

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TO: Commission Staff
WA Utilities and Transportation Commission

FROM: Dan Kirschner, Executive Director
Northwest Gas Association

RE: Costs associated with acquiring Renewable Natural Gas (RNG)

Section 12 of 3EHSB 1257 (C 285, L 2019), "finds and declares that:

a) Renewable natural gas provides benefits to natural gas utility customers and to the public;
b) The development of RNG resources should be encouraged to support a smooth transition to a low carbon energy economy in Washington;
c) It is the policy of the state to provide clear and reliable guidelines for gas companies that opt to supply RNG resources to serve their customers and that ensure robust ratepayer protections."

Per legislative intent, NWGA members want to maximize the benefits of RNG and amplify its effect on achieving a smooth transition to a low carbon economy.

Sections 13 and 14 provide statutory direction for achieving the Legislature's intent as stated in Section 12. However, NWGA members seek more clarity from the Washington Utilities and Transportation Commission (UTC) regarding implementation of those sections. To that end, the NWGA respectfully offers the following suggestions for the Commission's consideration:

Section 13 (1) of 3EHSB 1257 (C 285, L 2019) reads: "*The customer charge for a renewable natural gas program may not exceed five percent of the amount charged to retail customers for natural gas.*"

1) The "may not exceed" amount (i.e. cost cap) refers to five percent of the current (most recent) Commission Basis report (i.e. normalized gas system revenue requirement) for a gas company when the RNG supply is acquired.
2) The "amount charged to retail customers" for RNG refers to the incremental costs of RNG above and beyond the costs to supply an equivalent amount of conventional natural gas (in revenue requirement terms).
3) Gas companies will develop and submit their approach for calculating the five percent cost for Commission approval.
4) RNG commodity costs may be recovered through the annual purchased gas adjustment mechanism. The UTC may wish to consider alternative mechanisms relating to associated program capital costs (e.g. automatic adjustment clause).

While Section 13 allows for the acquisition of RNG to displace conventional natural gas for all core customers, Section 14 requires gas companies to offer voluntary programs that allow customers to explicitly subscribe for RNG volumes. How the two sections interact with regard to the Section 13 cost cap is unclear. The NWGA suggests that:

> The costs for unsubscribed portions of a utility's voluntary Section 14 program should be included in the cost cap calculation contained in Section 13, so long as the benefits of the unsubscribed portion is allocated to all of the utility's natural gas customers.
>
> As the voluntary program becomes more, or fully, subscribed, the cost cap calculation should be updated to reflect the portion of costs not being paid for by customers of the voluntary program. This diagram illustrates the suggested cost allocation:

Charge all costs to C, then calculate and charge B and credit that amount back to C.
The 5% Cost Cap applies only to remainder in C:
C/(Total Rev Reqmt-B)= %, which must be less than 5%

A Total Costs	**B** Section 14 Voluntary Programs Billed only to Participants	**C** Section 13 "All Customer" Programs Billed to All Customers (incl.Participants)
	Voluntary Program Costs - recovered initially through Tariff filing	Non-PGA Revenue Requirement - recovered through General Rate Case
CapEx related Return Deprec Taxes O&M	CapEx related (Pipe, Plant, etc.) Return Deprec Taxes O&M	CapEx related (Pipe, Plant, etc.) Return Deprec Taxes O&M
Administrative Costs Labor Materials IT Outside services Other	Program Administrative Costs Labor Materials IT Outside services Other	All Other Costs related to acquiring and managing RNG and tracking and retirement of environmental attributes on non-Voluntary Program RNG (which may include labor, materials, IT, etc.)
	RNG Purchase Costs RNG Commodity charges (based on volume)	
RNG Purchase Costs RNG Commodity charges		PGA incremental RNG Purchase Costs RNG Commodity charges (less equal volume priced at PGA Commodity cost).