

December 21, 2021

NWN WUTC Advice No. 21-10

VIA ELECTRONIC FILING

 Ms. Amanda Maxwell, Executive Director and Secretary
 Washington Utilities and Transportation Commission
 621 Woodland Square Loop S.E.
 Lacey, Washington 98503

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 COMMISSION

Re: Schedule U – Smart Energy™ Program – Renewable Natural Gas Option

Dear Ms. Maxwell:

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), files with the Washington Utilities and Transportation Commission (Commission) the following revisions to its Tariff WN U-6, stated to become effective February 25, 2022.

Third Revision of Sheet U-1	Schedule U	Smart Energy™ Program
Fifth Revision of Sheet U-2	Schedule U	Smart Energy™ Program

Purpose

The purpose of this filing is to implement a voluntary renewable natural gas (RNG) service in compliance with RCW 80.28.390 and consistent with the Commission’s UG-190818 Report and Policy Statement on Investigation of Renewable Natural Gas Programmatic Design and Pipeline Safety Standards (Policy Statement).

NW Natural proposes to implement this voluntary RNG offering by adding RNG to the Company’s successful Smart Energy Program as a mitigation resource. NW Natural’s Smart Energy program is a voluntary program that enables customers to mitigate greenhouse gas emissions associated with their natural gas use – currently this mitigation is achieved through the purchase of high-quality, project-based emission reductions from carbon offsets.

NW Natural proposes to add RNG as a mitigation resource to the Smart Energy program such that a mix of RNG and carbon offsets will be used to mitigate enrolled customers’ emissions. Leveraging the existing Smart Energy platform for this voluntary RNG service will lessen the cost impact of adding RNG for participants. This is important while the RNG market is still in a somewhat nascent stage; it will also allow us to simplify communications and marketing plans, further lessening the cost impact of offering an RNG service.

Background

In 2019, Washington House Bill 1257 was enacted into law. Section 14 of the bill was codified as RCW 80.28.390 and provides the requirement that natural gas companies must offer by tariff a voluntary renewable natural gas service. The Commission provided further guidance on these requirements through its Policy Statement issued on December 16, 2020.

NW Natural has been pursuing opportunities to bring RNG into our natural gas system as part of our Low Carbon Pathway to help move our region to a low-carbon, renewable-energy future.¹ Legislative actions enabling RNG programs and procurement, such as Washington House Bill 1257 and Oregon Senate Bill 98, have allowed the Company to procure RNG and expand the opportunities to bring RNG to our customers.

NW Natural has worked with third-party consultant Engie Impact to assist in assessing the landscape of voluntary utility offerings and provide guidance on best practices in developing and designing programs and assessing underlying considerations. Through this work NW Natural was able to better understand the current environment of utility voluntary programs and to identify a path forward for our voluntary RNG offering using our existing successful Smart Energy program.

In 2008 NW Natural became the first standalone natural gas company in the country to offer a voluntary carbon offset program with Smart Energy. The program became available to Washington customers in 2010 and over the life of the program has funded over 1.5 million metric tons of emissions reductions.² Over 3 percent of Washington residential customers are actively enrolled in Smart Energy today. The Company has contracted with The Climate Trust, a nationally recognized leader in the carbon market, to facilitate the purchase and retirement of carbon offsets. The Climate Trust identifies projects and contracts for the offsets, then verifies and retires each Smart Energy offset.

As described further below, NW Natural proposes to add RNG to the Smart Energy offering as a mitigation resource additional to the existing carbon offset resource. By enhancing the current Smart Energy program to include RNG, NW Natural will be able to offer a voluntary RNG service in a way that mitigates cost impacts to participants in a streamlined manner using the familiar and proven Smart Energy platform.

Proposed Enhanced Smart Energy Program Design

The Commission's Policy Statement provides for flexibility in designing voluntary RNG programs and purchase options in this early stage of implementation and the RNG market. NW Natural finds that enhancing its existing successful Smart Energy program to include RNG provides a unique opportunity for participants to purchase RNG in a manner that allows for the mitigation of the greenhouse gas emissions associated with their total natural gas usage while controlling costs. This is due to our long experience and expertise with implementing the Smart Energy program and was further augmented by our work with Engie Impact. Engie Impact assisted NW Natural with evaluating potential customer offerings and program design against criteria that included both customer and Company considerations such as value, predictability, administrative cost, and speed to market.

NW Natural proposes the following enhancements of the Smart Energy options that will be available for program participants starting July 1, 2022.

¹ For more on NW Natural's Low Carbon Pathway, please see our website at:
<https://www.nwnatural.com/about-us/environment/less-we-can>

² For more information on NW Natural's existing Smart Energy program, please visit:
<https://www.nwnatural.com/about-us/carbon-offset-program/about-smart-energy>

Residential Customer Class Options

The current Smart Energy offering includes two rate options for residential customers – a fixed rate option that is based on offsetting emissions associated with natural gas usage from an average residential home that uses 630 therms per year, or a volumetric rate that includes a charge per therm used that is based on offsetting emissions associated with the participant’s actual monthly usage. These voluntary charges are in addition to the participants’ existing gas service charges.

Residential Smart Energy

	Current Offering	Proposed Offering
Fixed Rate	\$5.50 per bill	\$8.00 per bill
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%.

As illustrated in the table above, NW Natural will continue to offer both the fixed rate and volumetric rate options under the Smart Energy program and proposes to include RNG as part of these options starting July 1, 2022. NW Natural proposes to include a mix of RNG and carbon offsets, with the percentage of RNG varying from one to four percent based on market conditions. The proposed Smart Energy rates for these options reflect a targeted expected price for RNG.³ By fixing the price for the Smart Energy options and adjusting the mix of RNG and carbon offsets as needed due to RNG market conditions, participants will experience price certainty while at the same time mitigating the emissions associated with their gas usage with a varying blend of RNG and carbon offsets.

After July 1, 2022, the new proposed Smart Energy offering will be the only available option and the current Smart Energy offering will be closed to new participants. Customers currently participating in Smart Energy may remain on their current option; NW Natural will reach out to these customers to inform them of the new Smart Energy offering and provide an opportunity to opt into the new program. These customers may remain on the existing Smart Energy option until they opt into the new program or otherwise cease to be a Smart Energy or NW Natural customer.

Supporting workpapers for the proposed Smart Energy program charges are included with this filing as Attachment A.

Commercial Customer Class Options

The current Smart Energy offering for the commercial customer class includes a Fixed Rate option or a negotiated price pursuant to the execution of a written contract for customers using an aggregate annual usage of 100,000 therms or more. Like the residential options described earlier, commercial customers will continue to have the same options as the current Smart Energy option and RNG will be included as part of these options starting July 1, 2022.

³ Please refer to the supporting workpapers provided with this filing for the targeted price range for RNG.

Commercial Smart Energy

	Current Offering	Proposed Offering
Fixed Rate	Fixed Rate of customer’s choosing but not less than \$10 per bill	Fixed Rate of customer’s choosing but not less than \$10 per bill
Negotiated Price with written contract	Negotiable	Negotiable
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%.

Industrial Customer Class Options

The current Smart Energy offering for the industrial customer class is a monthly price subject to negotiation, pursuant to the execution of a written contract. Like the residential and commercial options described earlier, industrial customers will continue to have the same negotiable price option as is currently available and RNG will be included as part of this option starting July 1, 2022.

Industrial Smart Energy

	Current Offering	Proposed Offering
Negotiated Price with written contract	Negotiable	Negotiable
Mitigation Resources	Carbon offsets	A mix of RNG and carbon offsets.

Additional Program Considerations

Supply

NW Natural will supply the RNG for this program by using RNG purchases made by its Renewables team. NW Natural’s Renewable team is responsible for identifying, evaluating, developing, and purchasing RNG supply options. The Smart Energy program may also purchase RNG from third-party sources as needed. It is expected that NW Natural’s Renewables team will provide the proposed Smart Energy program’s first two to three years’ supply of RTCs from an RNG offtake arrangement from a project located in the western region of the United States.⁴ In adherence to the Commission’s Policy Statement, NW Natural will ensure that costs of the Smart Energy program will continue to be borne solely by program participants. The amount of RNG that will be used to supply the enhanced Smart Energy offering will be accounted for separately from the RNG that NW Natural will use for RNG for its Purchased Gas Adjustment (PGA) needs.

⁴ At the time of this filing, the purchase agreement was still in the process of being executed; NW Natural will provide more information about this offtake project when the agreement has been completed.

NW Natural's proposal in this filing incorporates RNG into the Smart Energy offering, but we note that future options may use the types of qualifying renewable natural gas and renewable hydrogen or other qualifying resources as defined in RCW 54.04.190.

Accounting

As stated above, NW Natural will account for the RNG provided under the Smart Energy program separately from RNG the Company will use for its PGAs or any other purpose. Currently NW Natural uses a balancing account to account for the participant funds collected and program spending. The Company requests to use an additional balancing account to account for the collections and costs associated with the proposed Smart Energy program with RNG. In addition, the Company will track the costs associated with the renewable thermal certificates (RTCs) associated with the RNG that will be retired on behalf of Smart Energy customers. In this way, NW Natural will continue to account for all costs of the Smart Energy program such that costs are borne solely by program participants.

Program Costs

All costs of the Smart Energy program will continue to be paid for only by Smart Energy participants. Anticipated costs to implement the proposed Smart Energy program with RNG, such as information technology costs and customer information material, will be funded by the administrative costs budget from the Smart Energy program collections.

RNG Tracking

NW Natural will use the Midwest Renewable Energy Tracking System (M-RETS) for the RTCs associated with the RNG for the Smart Energy program. NW Natural will use M-RETS to track and retire the RTCs on behalf of program participants. The Company will use separate M-RETS accounts to track the RTCs for Smart Energy apart from NW Natural's non-Smart Energy RTC inventory.

Reporting

Per the existing Schedule U Smart Energy tariff, NW Natural provides annual reporting to program participants in addition to an annual report filed with the Commission.⁵ NW Natural proposes to continue the existing reporting provided for the Smart Energy program and will add RNG details as appropriate.

Conclusion

NW Natural is pleased to offer a voluntary RNG service to our customers through our long-standing and successful Smart Energy program. Offering this service through the existing Smart Energy program provides an efficient and effective means for program participants to use RNG to reduce the impact of their emissions and meets the requirements of RCW 80.28.390

NW Natural respectfully requests that the Commission approve this tariff change to become effective February 25, 2022.

Please note that certain sections of Attachment A contain confidential information; the Company respectfully requests that it be accorded confidential treatment in accordance with RCW 80.04.095 and WAC 480-07-160.

⁵ Please see WUTC docket UG-100677 for NW Natural's Washington Smart Energy filed reports

In accordance with WAC 480-90-193 and WAC 480-90-195(3), 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.

As requested by WAC 480-80-103(4)(a) and WAC 480-80-104(8), I certify that I have authority to issue tariff revisions on behalf of NW Natural.

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

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Respectfully submitted,

/s/ Natasha Siores

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Attachments:

NEW-NWN-WUTC-Advice-21-10-Trf-Sheet-U-1-12-21-2021
NEW-NWN-WUTC-Advice-21-10-Trf-Sheet-U-2-12-21-2021
NEW-NWN-WUTC-Advice-21-10-Attach-A-12-21-2021 (C)
NEW-NWN-WUTC-Advice-21-10-Attach-A-12-21-2021 (R)