



250 SW Taylor Street  
Portland, OR 97204

503-226-4211  
nwnatural.com

March 8, 2023

**VIA ELECTRONIC FILING**

Amanda Maxwell, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, Washington 98503

Received  
Records Management  
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UTIL. AND TRANSP.  
COMMISSION

**Re: Docket UG-23\_\_\_\_\_—Affiliated Interest Filing—NW Natural Gas Company and Dakota City Renewable Energy LLC**

Under the provisions of RCW 80.16.020 and in accordance with WAC 480-90-245, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), provides notice of an affiliated interest transaction with Dakota City Renewable Energy LLC (“Dakota City”) for the purchase of renewable natural gas (“RNG”).

NW Natural is, indirectly, the controlling member of Dakota City. RCW 80.16.010 includes in its definition of “affiliated interest,” “every corporation five percent or more of whose voting securities are owned by any person or corporation owning five percent or more of the voting securities of such public service company or by any person or corporation in any such chain of successive ownership of five percent or more of voting securities.” Therefore, the ownership interest of NW Natural in Dakota City creates an affiliated interest relationship between the two entities.

As described below, this is the second affiliated interest transaction that NW Natural has entered to acquire RNG. It involves purchasing the output of an RNG project developed by Dakota City that is scheduled to commence service in mid-March 2023. The project is located next to a Tyson Fresh Meats beef packaging plant in Dakota City, Nebraska and will convert animal waste and other byproducts from the plant into RNG. The project is expected to produce approximately 108,844 MMBtu of RNG per year. This RNG will be injected into the MidAmerican local distribution system and will generate Renewable Thermal Certificates<sup>1</sup> that the Company intends to use to meet RNG targets under Oregon law, as well as to comply with Oregon’s Climate Protection Plan.<sup>2</sup>

<sup>1</sup> A “Renewable Thermal Certificate” is “a unique representation of the environmental attributes associated with the production, transport, and use of one dekatherm of renewable natural gas.” OAR 860-150-0010(16).

<sup>2</sup> ORS 757.396; OAR 860-150-0050. More information about the Oregon Climate Protection Program can be found at: <https://www.oregon.gov/deq/ghgp/cpp/pages/default.aspx#:~:text=The%20Climate%20Protection%20Program%20sets,residential%2C%20commercial%20and%20industrial%20settings.>

However, the Company is not forgoing the possibility that the project could be used for its voluntary RNG program per RCW 80.28.390<sup>3</sup> or a subsequently developed program.

A verified copy of the base contract for sale and purchase of natural gas, as well as the transaction confirmation, is included with this Notice as Confidential Attachment A. In accordance with WAC 480-07-160, NW Natural requests confidential treatment for Attachment A, as well as certain information provided in this Notice, on the basis that the documents contain “valuable commercial information, including trade secrets or confidential marketing, cost, or financial information, or customer-specific usage and network configuration and design information,” as provided in RCW 80.04.095 and in accordance with WAC 480-07-160(2)(c). Also included with this filing is a verification that the agreement is a true and accurate copy of the original.

This transaction is reasonable and in the public interest because it facilitates the decarbonization of NW Natural’s gas business at a reasonable cost. The cost of the RNG under the affiliated interest agreement will be \$■■■■ MMBtu over a ■■■■-year term with an option to extend for another ■■■■ years. The price will be adjusted for inflation. This affiliated interest transaction results in the same cost to produce RNG that would have been incurred had the utility developed the project without forming affiliates, and with lower risks to the Company and its customers. Specifically, this structure protects NW Natural and its customers. Since Dakota City is its own legal entity, its creditors and counterparties would only be able to access Dakota City Renewable Energy LLC’s assets and not the utility assets of NW Natural.

Finally, NW Natural notes that this affiliated interest transaction is materially similar to its first RNG affiliated interest transaction involving the Lexington RNG project. The Company filed that transaction in docket UG-210034. The Commission closed that docket without taking action.

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

eFiling  
Rates & Regulatory Affairs  
NW Natural  
250 SW Taylor Street  
Portland, Oregon 97204-3038  
Phone: (503) 610-7330  
Fax: (503) 220-2579  
Email: eFiling@nwnatural.com

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<sup>3</sup> See NW Natural Washington Tariff, Schedule U, Smart Energy Program.

If you have any questions, please contact me.

Sincerely,

**NW Natural**

*/s/ Ryan Sigurdson*

Ryan Sigurdson  
Regulatory Attorney (WSBA #39733)  
250 SW Taylor Street  
Portland, OR 97204-3038  
Phone: (503) 610-7570  
Email: ryan.sigurdson@nwnatural.com

Attachments:

NEW-NWN-Dakota-City-Affiliated-Interest-Attach-A-03-08-2023 (C)  
NEW-NWN-Dakota-City-Affiliated-Interest-Attach-A-03-08-2023 (R)  
NEW-NWN-Dakota-City-Affiliated-Interest-Verification-03-08-2023