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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

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:

eFiling
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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)

NORTHWEST NATURAL GAS COMPANY

WN U-6

Third Revision of Sheet U-1

Cancels Second Revision of Sheet U-1

SCHEDULE U SMART ENERGY™ PROGRAM

PURPOSE:

To set forth the terms and conditions for billing, payment and disbursement of funds collected under the Smart Energy™ Program (Program).

AVAILABLE:

This Program is available to all Customers receiving service within the State of Washington.

PROGRAM DESCRIPTION:

Smart Energy™ is a voluntary program that enables all customers to mitigate greenhouse gas emissions associated with their natural gas use by purchasing high quality project-based emission reductions from carbon offset projects from The Climate Trust and renewable natural gas projects. Priority will be given to projects that help bring biogas to the region. All offsets purchased on behalf of Customers will be verified and retired. Future offerings under this tariff may include renewable natural gas and renewable hydrogen or other qualifying resources as defined in RCW 54.04.190.

(T)
(C)
(N)
(N)

Within twenty-four months of issuing a bill for Smart Energy™, the Company will contractually obligate the amount billed less uncollectibles for either an immediately available or a future stream of offsets and/or renewable natural gas.

(N)

PROGRAM PARTICIPATION:

Customers may enroll in the Program at any time. The rates for participation in this Program will be reflected on the Customer's next regular monthly bill following the date of enrollment.

Customers may terminate participation in the Program at any time by notifying NW Natural in writing, by telephone or by Internet. The termination will be reflected with the Customer's next regular monthly bill following the date of termination.

MONTHLY RATES:

Smart Energy™ charges are in addition to all other charges due for gas service to the Customer, and shall be subject to late charges as set forth in Schedule C of this Tariff.

For each Customer class, the Monthly rates for service under this Schedule are as follows:

Residential Customer Class Options.

Residential customers may choose one of two rate options: (1) Fixed Rate, or (2) Volumetric Rate to offset their greenhouse gas emissions.

	Customers enrolled before July 1, 2022	Customers enrolled on and after July 1, 2022
Fixed Rate:	\$5.50 per bill	\$8.00 per bill
Volumetric Rate:	\$0.10486 per therm	\$0.15246 per therm

(T)(N)
|
|
(T)(N)

The Fixed Rate option is based on offsetting emissions associated with natural gas from an average residential home that uses 630 therms per year.

(continue to Sheet U-2)

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Effective with service on
and after February 25, 2022

NORTHWEST NATURAL GAS COMPANY

WN U-6

Fifth Revision of Sheet U-2

Cancels Fourth Revision Sheet U-2

SCHEDULE U SMART ENERGY™ PROGRAM (continued)

Residential Customer Class Options. (continued)

The Volumetric Rate provides the option to offset emissions associated with natural gas usage on the basis of the customer's actual monthly usage.

Commercial Customer Class Option.

Commercial customers may choose a Fixed Rate of their choice (not less than \$10 per bill) or a negotiated price, pursuant to the execution of a written contract for non-residential customers who use an aggregate of 100,000 therms or more annually. Under the Fixed Rate Option, the Fixed Rate can be in any amount of Customer's choosing, but cannot be less than \$10 per monthly bill per account enrolled.

At the time of enrollment, Customers will be given an estimate of the resulting Monthly Percentage of Offset being purchased for the Fixed Rate selected. The monthly Percentage of Offset amount will be calculated based on the Customer's past 12 months of usage at the time of enrollment.

Industrial Customer Class Option

Monthly pricing for Industrial Customers will be a fixed rate per month, subject to a negotiation pursuant to a written contract.

SMART ENERGY™ ACCOUNT

By the 20th of the month following the billing month, the amount billed for Smart Energy™, net of an allowance for uncollectibles, will be deposited into a market-based interest bearing bank account dedicated to the Smart Energy™ Program (Smart Energy™ Account). The reserve for uncollectibles shall be in an amount equal to NW Natural's average percentage of residential net write-offs.

The Company will be reimbursed from the Smart Energy™ Account each month for actual program administration costs incurred.

REPORTS:

1) Annual Report. The Company will file a report with the Commission within ninety (90) days following the end of the calendar year. The report will include participation details, program funding received for that year; demand of total offsets and renewable natural gas obligated for that year, and a list of projects or sources from which the offsets and renewable natural gas have been secured. (N)
(N)

2) Customer Report. The Company will annually provide participating Smart Energy™ Customers with a report detailing the current number of program participants and the volume of offsets and renewable natural gas that have been funded on behalf of Smart Energy™ Customers. (N)
(N)

GENERAL TERMS:

This schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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Assumptions

Monthly take rate expected through Month 30	0.05%	percent enrolled per month
Expected participation at Month 30	1.50%	percent enrolled
WA Residential Customers; November 30, 2021	86,252	gas customers
Expected average purchase quantity per month	46.0	therms / subscriber
Cost Per Therm	\$ 0.15246	per therm
Voluntary carbon offset purchase	96%	therms funded
Voluntary RNG purchase	4%	therms funded
RNG contract price		cost / therm
Carbon offset price		cost / therm

Notes

Based on NWN's experience with Washington customer acquisition for Smart Energy carbon offsets.
Based on uptake for existing products and research on voluntary RNG.
Based on system average therms and volumetric historical use

Product costs

M&A	\$0.15246		
Carbon reduction cost (RNG & Offsets)			
Total therms sold	922,465.14	30 months	40.52%
Total M&A		30 months	59.48%

Notes

Estimate of Customer Participation and Projected Therms

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL	
2022														
New Customers								43	43	43	43	43	43	259
Total Customers								43	86	129	173	216	259	259
Therms sold							1983.80	3967.59	5951.39	7935.18	9918.98	11902.78	41,660	
RNG therms							79	159	238	317	397	476	1,666	
2023														
New Customers	43	43	43	43	43	43	43	43	43	43	43	43	518	
Total Customers	302	345	388	431	474	518	561	604	647	690	733	776	776	
Therms sold	13,886.57	15,870.37	17,854.16	19,837.96	21,821.76	23,805.55	25,789.35	27,773.14	29,756.94	31,740.74	33,724.53	35,708.33	297,569	
RNG therms	555	635	714	794	873	952	1,032	1,111	1,190	1,270	1,349	1,428	11,903	
2024														
New Customers	43	43	43	43	43	43	43	43	43	43	43	43	518	
Total Customers	819	863	906	949	992	1,035	1,078	1,121	1,164	1,208	1,251	1,294	1,294	
Therms sold	37,692.12	39,675.92	41,659.72	43,643.51	45,627.31	47,611.10	49,594.90	51,578.70	53,562.49	55,546.29	57,530.08	59,513.88	583,236	
RNG therms	1,508	1,587	1,666	1,746	1,825	1,904	1,984	2,063	2,142	2,222	2,301	2,381	23,329	

Total Therms Funded	922,465
Total RNG sold (therms)	36,899
Total Offset therms funded	885,567

4%

Carbon Offset Program

Anticipated Program Costs and Expenses

Expenses	2022	2023	2024	Total
Administration				
Purchase of Offsets				
Purchase of RNG				
	\$6,234	\$44,529	\$87,276	\$138,039