



**NW Natural<sup>®</sup>**

# **REQUEST FOR PROPOSAL #2022-01**

## **Renewable Natural Gas Resources**

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## 1 General Information

This Request for Proposal (“RFP”) is part of a significant effort by Northwest Natural Gas Company (“NW Natural”) to decarbonize the product moving through our system. NW Natural is soliciting proposals from qualified firms to provide renewable natural gas (RNG) for delivery to our customers. This request for proposal is purposely broad in order to identify and evaluate various project types that will help us meet our objectives.

For the latest information on the RFP and other procurement activities related to renewable resources, please check the [RNG page](#) on NW Natural’s website.

### 1.1 Document Components

This document is organized in the following manner:

**Section 1** describes the relevant **Background** and outlines NW Natural’s objectives in partnering with other organizations to develop RNG projects.

**Section 2** outlines the **Project Overview and Scope of Services** expected of the Bidder and sets forth certain key defined terms.

**Section 3** provides details on the **Bidder Instructions** in regard to submitting a response to the RFP including key dates, questions and communications, submission of the proposal as well as a description of the proposal selection process.

**Section 4** provides information on the **Proposal Requirements** including format and required information.

The **appendix** outlines the requirements for **renewable natural gas quality standards** for RNG resources that will interconnect with NW Natural’s distribution system. Note that NW Natural does not require that acquired RNG resources be interconnected with our distribution system. Any RNG resource will need to satisfy the interconnection requirements and quality standards of whichever system the project is interconnected to.

### 1.2 Introduction

NW Natural, an Oregon-based local distribution company, is soliciting proposals from qualified firms wishing to form long-term partnerships to sell RNG to NW Natural for delivery to our retail customers. Awards may be made to multiple bidders offering proposals in accordance with the terms and conditions of this solicitation.

### 1.3 About NW Natural

NW Natural is a wholly-owned subsidiary of Northwest Natural Holding Company (“NW Natural Holdings”), and has been serving residential, commercial, and industrial customers in the Pacific Northwest for over 160 years. NW Natural Holdings also has business interests in gas storage, water utilities, and other interests and activities. The company was founded in 1859 and is headquartered in Portland, Oregon. NW Natural Holdings has a market capitalization of approximately \$1.5 billion and an enterprise value of approximately \$2.6 billion. NW Natural has secured credit ratings of AA- and A2 by S&P and Moody’s, respectively, with a stable ratings outlook from both agencies.

NW Natural's guiding principles embrace constructive relationships with stakeholders, superior customer service, and community involvement. We believe we are uniquely positioned to partner with RNG producers for the following reasons:

- We are local operators and long-term stewards of our utilities. We have a long history in the utility business and are extremely proud of our track record and heritage. We invest in our systems and stakeholder relationships and have established a long history of trust and credibility with the regulating bodies.
- We are industry leaders in customer satisfaction. NW Natural ranked second in the West for large utilities in the J.D. Power 2021 Gas Utility Residential Customer Satisfaction Study. Per J.D. Power's annual independent study, this is the 18th time the company has scored in the top two in the West.
- We are actively engaged in the communities we serve. Our shareholders donate nearly \$1 million annually through our corporate philanthropy programs. These funds support over 150 local community and nonprofit groups. Furthermore, our employees give nearly 5,000 hours of their own time annually for hands-on work with these organizations.

NW Natural has a longstanding commitment to providing energy safely and securely to our customers. As one of the first natural gas utilities in the nation to establish voluntary carbon reduction goals and champion policies that encourage RNG development, NW Natural is committed to supporting the growing RNG market and bringing these important low-carbon resources to our customers. As a market participant interested in long-term resource acquisition and maintaining the success of RNG projects, NW Natural is well-suited to partner with those also interested in operating RNG production facilities successfully and profitably for decades to come.

#### **1.4 Regulatory Summary**

Recent state-level policies and regulatory rules now give natural gas utilities in the Pacific Northwest the ability to procure renewable gas resources for their customers. With a long history of operating as a forward-looking and progressive utility company, NW Natural looks forward to the next chapter, bringing these important decarbonized resources to end-users throughout our service territory.

Recent significant legislative changes have established the groundwork for utilities such as NW Natural to enter the RNG markets as long-term buyers and long-term partners, helping to grow and mature the RNG market in North America.

In 2019, the Washington State legislature also passed a bill supporting RNG procurement. House Bill 1257 established the legal framework for natural gas utilities to acquire renewable resources for their customers.

The Climate Protection Program (CCP), an Oregon regulatory program starting in 2022, sets a declining limit, or cap, on greenhouse gas emissions from fossil fuels used throughout Oregon,

including diesel, gasoline, natural gas, and propane, used in transportation, residential, commercial, and industrial settings. Emissions covered by the CPP's caps will be cut 50% by 2035 and 90% by 2050 from 2017-2019 average baseline emissions.

In 2021, the Washington Legislature passed the Climate Commitment Act (CCA) which establishes a comprehensive program to reduce carbon pollution and achieve the greenhouse gas limits set in state law. The CCA caps and reduces greenhouse gas emissions from the state's largest emitting sources and industries, allowing businesses to find the most efficient path to lower carbon emissions. The program will begin Jan. 1, 2023.

### 1.5 Objectives

NW Natural seeks to procure RNG resources for delivery to our customers. We seek to provide these resources to all of our customers, and to do so with the least negative impact on customer costs. To do this, NW Natural desires to partner with those who are interested in establishing long-term relationships to sell a total or partial interest in existing RNG projects, sell raw biogas, sell pipeline-quality RNG, enter into feedstock supply agreements, as well as to develop new RNG projects. This RFP seeks RNG resources and/or associated environmental attributes from around the country and from a wide variety of feedstocks and sources, including renewable hydrogen resources.

Please note that NW Natural is generally not seeking renewable hydrogen to be injected into our system at this time; however, we are looking for low-carbon hydrogen supply options to serve individual large industrial customers to use for process heat loads. In addition, investments leading to Renewable Thermal Credit (RTC) generation or the RTCs themselves created throughout North America from RNG, renewable hydrogen or methanated hydrogen are of interest.

From responses to this RFP, NW Natural will develop a "short list" of projects to conduct additional diligence on. After such diligence, NW Natural may enter into definitive agreements with selected partners.

## 2 Project Overview and Scope of Services

### 2.1 Definitions

|                          |  |
|--------------------------|--|
| Environmental Attributes | <p>"Environmental Attributes" means any and all environmental claims, credits, benefits, emissions reductions, offsets, and allowances attributable to the production of renewable natural gas and its avoided emission of pollutants. The environmental attributes of renewable natural gas include, but are not limited to, the avoided greenhouse gas emissions associated with the production, transport, and combustion of a quantity of renewable natural gas compared with the same quantity of geologic natural gas.</p> <p>"Environmental Attributes" do not include:</p> |
|--------------------------|--|

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>(a) The renewable natural gas itself (molecules) or the energy content of that gas;</li> <li>(b) Any tax credits associated with the construction or operation of the renewable natural gas production facility, and any other financial incentives in the form of credits, reductions, or allowances associated with the production of renewable natural gas that are applicable to a state, provincial, or federal income taxation obligation;</li> <li>(c) Fuel- or feedstock-related subsidies or “tipping fees” that may be paid to the seller to accept certain fuels, or local subsidies received by the renewable natural gas production facility for the destruction of particular pre-existing pollutants or the promotion of local environmental benefits; or</li> <li>(d) Emission reduction credits encumbered or used by the renewable natural gas production facility for compliance with local, state, provincial, or federal operating and/or air quality permits.</li> </ul>   |
| <p>NAESB Base Contract for Sale and Purchase of Natural Gas (“NAESB Base Contract”)</p> | <p>According to its website, “The North American Energy Standards Board (NAESB) serves as an industry forum for the development and promotion of standards which will lead to a seamless marketplace for wholesale and retail natural gas and electricity, as recognized by its customers, business community, participants, and regulatory entities.”. NAESB published the NAESB Base Contract for Sale and Purchase of Natural Gas in 2002, and then published an updated version in 2006, which are widely used in the gas industry for physical gas purchase and sale transactions. The NAESB Base Contract consists of the published General Terms and Conditions, published elections pages on which the executing parties make certain elections, and, usually, bespoke amendments to the published form called the “Special Provisions”. The NAESB Base Contract sets forth the legal terms that will govern future physical gas purchase and sale transactions between the executing parties (until the NAESB Base Contract is terminated), and eliminates the need for the negotiation of new legal terms for each new transaction.</p> <p>After execution of a Base Contract, the parties can transact by entering into transaction confirmations specifying the economic terms of each transaction. The Base Contract together with each transaction confirmation entered thereunder form one integrated agreement.</p> |
| <p>Renewable Natural Gas or RNG</p>   | <p>“Renewable Natural Gas” or “RNG” is gas that satisfies the definition of “renewable natural gas” or “renewable</p>   |

|   |   |
|---|---|
|   | <p>hydrogen” in either Oregon or Washington. The definitions have been set forth below for your convenience.</p> <p>Oregon definition per ORS <a href="#">757.392(7)</a>:</p> <p>“Renewable natural gas” means any of the following products processed to meet pipeline quality standards or transportation fuel grade requirements:</p> <ul style="list-style-type: none"> <li>(a) Biogas that is upgraded to meet natural gas pipeline quality standards such that it may blend with, or substitute for, geologic natural gas;</li> <li>(b) Hydrogen gas derived from renewable energy sources; or</li> <li>(c) Methane gas derived from any combination of: <ul style="list-style-type: none"> <li>a. Biogas;</li> <li>b. Hydrogen gas or carbon oxides derived from renewable energy sources; or</li> <li>c. Waste carbon dioxide.</li> </ul> </li> </ul> <p>Washington definitions per <a href="#">RCW 54.04.190(6)</a>:</p> <p>"Renewable natural gas" means a gas consisting largely of methane and other hydrocarbons derived from the decomposition of organic material in landfills, wastewater treatment facilities, and anaerobic digesters.</p> <p>"Renewable hydrogen" means hydrogen produced using renewable resources both as the source for the hydrogen and the source for the energy input into the production process.</p> |
| Renewable Thermal Certificate (RTC)               | <p>“Renewable Thermal Certificate” means a unique representation of the Environmental Attributes associated with the production, transport, and use of one dekatherm of renewable natural gas.</p>  |
| Midwest Renewable Energy Tracking System (M-RETS) | <p>The energy certificate system for tracking the purchase and sale of RTCs.</p>  |

## 2.2 Scope of Services/Specification Overview

The scope of work will vary based on the type of opportunity category as defined in sections 2.3.1, 2.3.2, and 2.3.3. Respondents must select at least one of the following categories, but may present an opportunity from a given resource in two or more categories if applicable.

## 2.3 Opportunity Categories

### 2.3.1 Development Project

The Bidder may propose partnering with NW Natural to develop and construct RNG production facilities. This type of project may encompass methane capture technologies, upgrading and conditioning equipment, and/or interconnect facilities. Projects that are partially constructed as well as undeveloped sites will be considered.

### 2.3.2 Acquisition of Existing Asset

The Bidder may propose that NW Natural purchase a total or partial membership interest in an existing RNG project.

### 2.3.3 Offtake-Only Project

The Bidder may propose one or a combination of both of the following services:

- Bidder would sell and deliver to NW Natural, and NW Natural would purchase and receive from Bidder, Renewable Natural Gas, as a bundled product consisting of *both* the Renewable Thermal Certificates (RTCs) as well as the gas commodity. NW Natural would enter into a gas purchase agreement with the Bidder and receive the Renewable Natural Gas at a specific location.
- The Bidder would sell and deliver to NW Natural, and NW Natural would purchase and receive from Bidder, all the RTCs from an RNG product. In this situation, the Bidder would separately sell or otherwise market the gas commodity.

## 2.4 Delivery Date

Delivery of the resource to NW Natural must commence no later than June 30, 2024.

## 3 Bidder Instructions

### 3.1 Point of Contact

All correspondence, including but not limited to, questions and submissions shall be directed to: [renewables@nwnatural.com](mailto:renewables@nwnatural.com).

### 3.2 Request for Proposal Schedule

| Date      | Event  |
|-----------|--|
| 4/14/2022 | Request for proposal issue date  |
| 5/03/2022 | Questions due on RFP   |
| 5/09/2022 | Question responses posted on website:<br><a href="https://www.nwnatural.com/about-us/environment/renewable-natural-gas">https://www.nwnatural.com/about-us/environment/renewable-natural-gas</a> |
| 5/23/2022 | Proposal submissions due   |
| 6/10/2022 | Initial notification to responders   |

### **3.3 Request for Proposal and Bid Procedures**

#### **3.3.1 Questions and Communications**

For RFP issues and information requests, please direct your question(s) to the email address noted above.

#### **3.3.2 Submission of Proposal**

- Each Bidder shall submit its proposal adhering to the requirements outlined in this Section, 3.3, and in Section 4. Any qualifications, additions, or clarifications to the proposal response package shall be submitted by way of a separate document.
- Proposals shall be submitted via email to the above address with the subject line “RFP 2022-01 Submission”.
- Multiple proposals from a vendor will be permissible, however, each proposal must conform fully to the requirements for proposal submission. Each such proposal must be separately submitted and labeled as Proposal #1, Proposal #2, etc.
- Proposed projects with alternatives, such as contract length, pricing, and volume combinations, should be treated as separate proposals.

#### **3.3.3 Terms and Conditions of Submission**

- Bidder shall comply with all state and federal laws in regard to formulation and submittal of proposals. Bidder should note that this is a competitive proposal situation, and that conferring with other Bidders about pricing or other specific details of a proposal may violate antitrust law and is prohibited.
- Bidder is deemed to have satisfied itself by submission of its proposal as to the correctness and sufficiency of the proposal to cover all requirements of this RFP.
- Bidder shall under no circumstances use NW Natural’s name or logos in advertising, marketing materials, printed matter, reference lists, or in any other way that could be construed as advertising (e.g., memo pads, tee shirts, binders, reference lists, etc.) without NW Natural’s prior written consent.
- Any non-public information provided by NW Natural in connection with this RFP is confidential and proprietary to NW Natural. Such materials are to be used solely for the purpose of responding to this RFP. By requesting further information or submitting a proposal, Bidder agrees not to disclose any such information to any third party without the prior written consent of NW Natural (which consent shall be conditioned upon the written agreement of the intended recipient to treat the same as confidential), except as may be required by law. NW Natural may request at any time that any or all NW Natural material be returned or destroyed.
- Notwithstanding any non-disclosure or confidentiality agreement by and between NW Natural (or any affiliates) and Bidder (or any affiliates), Bidder acknowledges and agrees that any information set forth in a proposal submitted by Bidder may be subject to review by regulating bodies, including the Oregon Public Utility Commission and/or the Washington Utilities and Transportation Commission, and Bidder hereby waives any objection it may have to NW Natural sharing such information and hereby waives any objection to such review.

### **3.3.4 Renewable Thermal Certificates Requirements**

- If the proposed project entails the sale or transfer of RTCs, the RTCs that would be purchased by NW Natural must satisfy the requirements of the definition of Environmental Attributes per Section 2.1 above.
- By definition, RTCs may not also be claimed by any other party, such as anyone selling the attributes into programs such as the California Low-Carbon Fuel Standard or the Oregon Clean Fuels Program. Additionally, the environmental attributes cannot be claimed by any party also generating Renewable Identification Numbers (RINs) from the same gas for satisfaction of obligations within the Renewable Fuel Standard.
- NW Natural will only purchase RNG if the Environmental Attributes would satisfy all requirements for listing on the M-RETS system, and NW Natural may request further documentation in support of this criteria if a Bidder is invited to move on to the next stage of NW Natural's selection process. Winning Bidders will be responsible for ensuring that RTCs are established in M-RETS.

### **3.3.5 Errors or Omissions**

A Bidder that discovers an error and/or omission in its proposal response package may withdraw that package and resubmit, provided it does so before the deadline for submission of proposal responses.

### **3.3.6 Request for Proposal Response Withdrawal**

A Bidder that wishes to withdraw their proposal response package may do so at any time by submitting notice to the email address noted in section 3.1.

## **3.4 Proposal Selection and Award Process**

### **3.4.1 Proposal Evaluation**

NW Natural will use a two-step evaluation process. First, NW Natural will evaluate and rank the proposal submitted by each Bidder against the proposals submitted by other Bidders in response to this RFP. The evaluation and ranking of the preliminary information will focus on conformance of each Bidder's submittal with the requirements of this RFP and the proposed pricing and other factors of each proposed project. Such evaluation and ranking shall be performed in a fair and consistent manner to arrive at a Short List.

Failure to meet the requirements of this RFP may result in the proposal being rejected. In the event that a Bidder's proposal does not meet all of the RFP requirements, NW Natural reserves the right to continue the evaluation of the non-conforming proposal and to select the proposals that provide the best opportunities for NW Natural to secure RNG resources in accordance with our strategy.

Second, once the Short List is compiled, Short-Listed Bidders will have the opportunity to submit a more detailed proposal. After the execution of a non-disclosure agreement, this will consist of supplying any clarifying information from the initial proposal as well as a series of supplemental questions provided by NW Natural. Each Short-Listed Bidder's detailed proposal will be evaluated against the other Short-Listed Bidders' detailed proposals. All Short-Listed Bidders should be prepared to discuss their projects and be available for questions either via email or via phone after their detailed proposal is received by NW Natural.

After completion of the evaluation process, those proposals deemed to provide the greatest benefit to NW Natural's portfolio will be used to begin the negotiation process.

### **3.4.2 Proposal Scoring**

Proposals will be rated based on a range of criteria including, but not limited to, the following:

1. The overall cost of the project or product.
2. Resource availability date.
3. The experience and proven performance of the firm or team of firms making the proposal.
4. If operational, the project's performance history. If not yet operational, the project's expected performance and evidence of team's performance on similar projects.
5. The volume of RNG or RTCs available for purchase.
6. Feedstock type and carbon intensity, if known.
7. Proposed terms of the purchase contract, including duration and renewal options.
8. Other claims of environmental benefits or emissions reductions on other products of the project (e.g., RIN or LCFS credits generated by other volumes of RNG produced by the project).
9. Overall ability of the project to successfully deliver qualifying RNG within the terms of the contract.
10. Environmental benefits achieved or to be achieved by the project outside of the production of RNG or hydrogen itself.

### **3.4.3 Right to Reject Proposals and Negotiate Contract Terms**

NW Natural has no obligation to reveal the basis for contract award or to provide any information to Bidders relative to the evaluation or decision-making process. All participating Bidders will be notified of proposal acceptance or rejection in accordance with the schedule outlined in section 3.2.

This is not a "low-bidder gets contract" bidding process. Rather, this is a RFP process in which NW Natural reserves all rights regarding the review and evaluation of proposals, selection of a firm, and award of a contract. NW Natural expressly reserves the rights to (a) select a firm and award a contract to that firm, with or without prior negotiations, (b) select one or more firms and then negotiate with them jointly or collectively before making an award decision, (c) select no firm and award no contract, with or without prior negotiations, (d) proceed with another RFP or other selection process, after selecting no firm or awarding no contract, and (e) waive and disregard any defects, irregularities, omissions, discrepancies, inconsistencies, lack of "responsiveness," absence of "responsibility" and any other shortcomings in or of any proposal. In exercising these rights, NW Natural also reserves the right to make selection and award decisions based, in whole or in part, on any factors and considerations that it chooses in our discretion. This RFP gives rise to no contractual obligations, implied or otherwise. Bidder waives any right to claim damages of any nature whatsoever based on the selection process, final selection, and any communications associated with the selection.

### 3.4.4 Awards and Final Offers

Awards may be granted to multiple Bidders. Should the Bidder and NW Natural jointly decide to move into the negotiation phase, NW Natural may request additional documentation to support Bidder's ability to satisfy the terms of its bid and NW Natural's requirements.

NW Natural expects that the legal terms of a bundled RNG purchase transaction would be documented in a NAESB Base Contract, and that transaction-specific details, such as volume, price, delivery location, quality specifications, and regulatory requirements related to Environmental Attributes, would be set forth in a Transaction Confirmation entered into pursuant to the NAESB Base Contract. The terms of an unbundled purchase of RTCs would be set forth in an agreement, containing legal terms that are standard for the purchase of RTCs or similar products, to be negotiated between the parties.

### 3.4.5 Notification of Intent to Award

As a courtesy, NW Natural will send a notification of award to responding Bidders upon the conclusion of the RFP process and will inform all Bidders of their status.

## 4 Proposal Response Package Components

The proposal response package should be composed of the documents outlined below.

Please do not utilize zip files.

### **1. Cover Letter**

Include an overview of your organization, rationale as to why your proposal merits consideration, and expected team composition including relevant team member summary bios or other data (2 pages maximum). The file may be provided in Word or .PDF format.

### **2. 2022 RFP Response Template – Proposal**

Using the template provided by NW Natural, provide details about your proposed opportunity. See the instructions provided on the first tab. Please provide the file in Excel format.

### **3. Additional Information (optional)**

Provide any information, outside of the required data, that you feel will aid NW Natural in making their selection.

### **4. 2022 RFP Response Template – Certification**

Using the template provided by NW Natural, certify and sign your proposal. The file may be provided in Word or .PDF format.

## Appendix - NW Natural Renewable Natural Gas Specification

The local natural gas utility to which this project might interconnect is NW Natural, which has the following specification for the injection of renewable natural gas into the distribution system:

| Parameters  | Value |      | Action Level |
|---|-------|------|--------------|
|   | Min   | Max  |              |
| Methane (%)   | 97.3  |      | < 97.3       |
| Heating Value (BTU <sup>b</sup> /SCF <sup>c</sup> ) | 985   | 1155 | < 985        |
| Wobbe Number (BTU/SCF)                              | 1290  | 1491 | N/A          |
| Temperature (°F)                                    | 35    | 120  | > 120        |
| Carbon Dioxide (%)                                  |       | 2.0  | > 2.0        |
| Nitrogen (%)  |       | 2.0  | > 2.0        |
| Total Inerts <sup>d</sup> + Oxygen (%)              |       | 3.0  | > 3.0        |
| Oxygen (%)  |       | 0.20 | > 0.20       |
| Hydrogen Sulfide (grain/CCF <sup>e</sup> )          |       | 0.25 | > 0.25       |
| Total Sulfur (grain/CCF)                            |       | 5.0  | > 5.0        |
| Moisture (lb/MMSCF <sup>f</sup> )                   |       | 7    | > 7          |
| Hydrocarbon Dew Point (°F)                          |       | 15   | > 15         |