



**NW Natural<sup>®</sup>**

# **REQUEST FOR PROPOSAL #2020-01**

## **Renewable Natural Gas Resources-Offtake**

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## 1 General Information

This Request for Proposal (“RFP”) is part of a broader effort by NW Natural to secure renewable natural gas resources for its customers over the long term. This RFP specifically asks potential bidders to submit proposals to sell Renewable Natural Gas (as defined in Section 2.1, and also referred to herein as “RNG”) to NW Natural under long-term contracts from existing or forthcoming projects. NW Natural will issue a separate Request for Information (RFI) seeking information about opportunities related to RNG project development, investment, or acquisition. For the latest information on the RFI and other procurement activities related to RNG, please check the [RNG page](#) on NW Natural’s website.

### 1.1 Introduction

Northwest Natural Gas Company (“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 its residential and commercial customers. Awards may be made to multiple bidders offering proposals in accordance with the terms and conditions of this solicitation.

NW Natural is a wholly-owned subsidiary of Northwest Natural Holding Company (“NW Natural Holdings”), and has been serving customers in the Pacific Northwest for over 160 years. NW Natural has a longstanding commitment to providing energy safely and securely to its 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 its 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.

Our 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 a long history of trust and credibility established with the regulating bodies.
- We are industry leaders in customer satisfaction. Per J.D. Power’s annual independent survey, our customers have given Northwest Natural Gas the highest overall customer satisfaction score for utilities in the west for six years running, and the company has been rated among the top five utilities in the nation 14 out of the past 17 years.
- 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. Further, our employees give nearly 5,000 hours of their own time annually for hands-on work with these organizations.

## **1.2 NW Natural Background**

Northwest Natural Holding Company (NYSE: NWN), through its subsidiary, Northwest Natural Gas Company (“NW Natural”), provides regulated natural gas distribution services to residential, commercial, and industrial customers in Oregon and Southwest Washington. Northwest Natural Holding Company 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 \$1.6 billion and an enterprise value of approximately \$2.6 billion. NW Natural has secured credit ratings of A+ and Baa1 by S&P and Moody’s, respectively.

Recent new 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 its long history of operating as a forward-looking and progressive utility company, NW Natural looks forward to its next chapter, bringing these important decarbonized resources to its end-users throughout its service territory.

### **Regulatory Summary**

In 2019 the Oregon legislature passed Senate Bill 98, which allows natural gas utilities to acquire RNG for delivery to their customers. This first-of-its-kind law in the nation establishes voluntary volumetric targets for procurement of RNG. By 2045, the law sets a target of 30% of all the gas delivered to NW Natural customers in Oregon be renewable. The rules implementing Senate Bill 98 are established and overseen by the Public Utility Commission of Oregon, including limits on total expenditures for RNG and the overall rate impact to customers.

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.

These 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 to help grow and mature the RNG market in North America.

## **1.3 Objectives**

NW Natural seeks to procure affordable and low-risk RNG resources for delivery to its customers. To do this, NW Natural desires to partner with participants in the RNG market who are interested in establishing long-term relationships to sell their pipeline-quality RNG.

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

## **1.4 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 purchase RNG.

**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 regards 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 its own system, and understands that any RNG resource will need to satisfy the interconnection requirements and quality standards of whichever pipeline the project is interconnected to.

## 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 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</li> </ul>
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	<p>pre-existing pollutants or the promotion of local environmental benefits; or</p> <p>(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.”</p>
Renewable Natural Gas or RNG	<p>“Renewable Natural Gas” or “RNG” is gas that satisfies the definition of “renewable natural gas” or “renewable hydrogen” in either Oregon or Washington. The definitions have been set forth below for your convenience.</p> <p>Oregon definition per ORS 757.392(7):</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 RCW 54.04.190(6):</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 purpose of this document is to provide interested parties (“Bidders”) with information to enable them to prepare and submit a proposal to sell RNG to NW Natural.

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 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 Renewable Thermal Certificates of an unbundled RNG product. In this situation, the Bidder would separately sell or otherwise market the commodity natural gas.

In both of the above situations, the Renewable Thermal Certificate that would be purchased by NW Natural must satisfy the requirements of the definition of Environmental Attributes required in Oregon per Section 2.1 above.

By definition, the Renewable Thermal Certificates 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 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.

## 3 Bidder Instructions

### 3.1 Point of Contact

All correspondence, included but not limited to, questions and submissions shall be directed to: Renewables@nwnatural.com.

### 3.2 Request for Proposal Schedule

Date	Event
07/22/2020	Request for proposal issue date
08/10/2020	Questions due on RFP
08/14/2020	Question responses posted
09/04/2020	Due date for proposal submission
09/25/2020	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 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 2020-01 Offtake.”
- 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.

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

- Bidder shall comply with all state and federal laws in regards 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.

### **3.3.4 Errors or Omissions**

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

### **3.3.5 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 above.

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

### **3.4.1 Preliminary Evaluation**

The proposals will first be reviewed to determine conformance to the requirements of this RFP. 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 its strategy.

### **3.4.2 Proposal Scoring**

Proposals will be rated based on the following criteria, among other criteria:

1. Cost, in \$/mmbtu delivered, of the RNG bundled or unbundled resource.
2. The experience and proven performance of the firm or team of firms making the proposal.
3. 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.
4. The volume of RNG available for purchase.
5. Feedstock type and carbon intensity, if known.
6. Proposed terms of the purchase contract, including duration and renewal options.
7. 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).
8. Counterparty performance risk/delivery risk.
9. Overall ability of project to successfully deliver qualifying RNG within the terms of the contract.

### **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 promptly of proposal acceptance or rejection.

This is not a "low-bidder gets contract" bidding process. This is rather an RFP process in which NW Natural reserves all of its rights regarding the review and evaluation of proposals, selection of a firm, and award of a contract. NW Natural expressly reserves its 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 its selection and award decisions based, in whole or in part, on any factors and considerations that it chooses in its 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 forward, 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 for Sale and Purchase of Natural Gas ("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 Renewable Thermal Certificates would be set forth in an agreement containing legal terms that are standard for the purchase of Renewable Thermal Certificates 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 letter to responding Bidders upon the conclusion of the RFP process, and will inform all Bidders of their status.

**4 Proposal Response Package Preparation**

The proposal response package should be organized to comply with the section numbers and names as shown below. Each section heading should be separated by tabs or a blank page or otherwise clearly marked.

Please do not utilize zip files.

The sections to be submitted are:

**1. Bidder Information**

<b>Title</b>	<b>Response</b>
Company name	
Address	
City, State, Zip	
Federal Taxpayer ID No.	
Dun & Bradstreet No., if known	
Date of proposal	
Contact name and title	
Email address of primary contact	
Phone number of primary contact	

**2. Project Information**

<b>Title</b>	<b>Description</b>	<b>Response</b>
Owner	Indicate the owner(s) of the RNG production facility.	

Title	Description	Response
Location	Note the location of the RNG facility. An address is preferred, but the nearest city and state is acceptable.	
Project financing	Please indicate if the project is fully funded. Any information about financing (e.g., breakdown between equity and debt) is helpful, though not required. Please also note that NW Natural may be able to provide project funding.	
Feedstock type	Indicate the feedstock type: dairy, food waste, green waste, landfill, other animal manure, wastewater, wood waste, mixed (please provide details).	
Feedstock owner	Indicate owner of feedstock or owner of feedstock production source.	
Ownership of gas rights	Note who owns the raw biogas or landfill gas rights, and the length of the ownership rights, if limited.	
Production start date	Indicate the date on which RNG was first produced or is expected to be produced.	
Volume	Indicate the injection rate in MMBtu produced on a monthly or annual basis, and detail any expected variability or increase/decrease in future years.	
\$/MMBtu	Indicate the total price per MMBtu of the RNG to be delivered during this term. Indicate if the price is fixed or variable, and whether there is an anticipated escalator.	
Term	Indicate the proposed term of your sale of RNG, in years. Indicate which month and year the sale is to begin.	
Delivery of bundled or unbundled product	Indicate if the sale of the RNG is bundled with commodity natural gas or is a separate sale of just the Renewable Thermal Certificate (RTC).	
CI score	Indicate, if known, the carbon intensity (CI) score of the RNG resource, determined in accordance with OR-GREET or CA-GREET if relevant. Please indicate whether a provisional CI score has been obtained, or whether the project is currently generating credits in a clean fuel program with a particular CI.	
RINs	Indicate, if known, whether the project has a completed EPA pathway assessment and an approved quality assurance plan in accordance with the Renewable Fuel Standard. Indicate which D-code the project's pathway is under,	

Title	Description	Response
	and whether the project is current generating RINs.	
Interconnection location	Note the location of the interconnect as well as the owner of the distribution or transmission system onto which the project is interconnected. Lat/Long of location is preferred.	
Operator/maintenance provider	Indicate the company that operates and maintains the RNG production facility.	
Additional comments	Please provide any additional comments that may be helpful to understand your circumstances and expectations, such as upcoming upgrades, important dates and constraints.	

### 3. Additional Information (optional)

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

### 4. Certification and Signing of Proposal

The Bidder certifies that (1) the RFP package has been examined and is understood, (2) any figures included in this proposal have been checked and (3) Bidder understands that NW Natural is not responsible for any errors, or omissions on the Bidder's part in preparing this proposal.

If the Bidder takes exception to any part of this RFP, the Bidder shall itemize those exceptions and submit them with this proposal with the heading: "EXCEPTION(S) TO RFP PACKAGE" and in accordance with Section 3.3.2 of this RFP.

The undersigned acknowledges the conditions and requirements of this proposal:

[MM/DD/YYYY]

By: \_\_\_\_\_

Company: [Company Name]

Name: [Signer name]

Title: [Signer Title]

# Appendix - Northwest Natural Gas Company 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 its distribution system:

## Gas Quality Specifications for Biomethane and Interconnect Facility Settings

Parameter	Value		Alarm Setting	Flare Setting	Re-instate
	Min	Max			
<b>Methane %</b>	97.3%		≤ 97.8%	< 97.3%	> 97.8%
<b>Heating Value (BTU/Scf)</b>	985	1115	≤ 990	< 985	> 990
<b>Wobbe Number (BTU/Scf)</b>	1290	1400			
<b>Carbon Dioxide %</b>		2.00%	≥ 1.8%	> 2%	< 1.8%
<b>Nitrogen</b>		2.00%	≥ 1.8%	> 2%	< 1.8%
<b>Total Inerts + Oxygen %</b>		2.70%	≥ 2.2%	> 2.7%	< 2.2%
<b>Oxygen %</b>		0.20%	≥ 0.18%	> 0.2%	< 0.18%
<b>Hydrogen Sulfide (grain/100cf)</b>		0.25	≥ 0.20	> 0.25	< 0.20
<b>Total Sulfur (grain/100cf)</b>		5.00	≥ 4.00	> 5.00	< 4.00
<b>Siloxanes (grain/100cf)</b>		0.019	≥ 0.015	> 0.019	< 0.015
<b>Ammonia (grain/100cf)</b>		5.00	≥ 4.00	> 5.00	< 4.00
<b>Moisture (lb/MMcf)</b>		7	≥ 4	> 7	< 4
<b>Mercury</b>		BDL	NA	Any	BDL
<b>Temperature ( °F)</b>	35	120	≥ 115	> 120	< 115
<b>Hydrocarbon Dew Point (°F)</b>		15	≥ 10	> 15	< 10