SCHEDULE 198
RENEWABLE NATURAL GAS ADJUSTMENT MECHANISM

PURPOSE:
The purpose of this Schedule is to identify adjustments to rates in the Rate Schedules listed below for the recovery of the revenue requirement of qualified investments, as defined by ORS 757.392(5), in renewable natural gas (RNG) infrastructure.

This adjustment mechanism will recover the revenue requirement associated with the prudently incurred qualified investments that contribute to the Company meeting the targets set forth in ORS 757.396. For purposes of this Schedule, "qualified investment" has the meaning given that term in ORS 757.392. This Adjustment Schedule is implemented as an automatic adjustment clause as provided for under ORS 757.210 and Oregon Senate Bill 98 (2019) codified as ORS 757.396.

APPLICABLE:
To All Customers on the Rate Schedules of this Tariff listed below:

Rate Schedule 2
Rate Schedule 3
Rate Schedule 27
Rate Schedule 31
Rate Schedule 32
Rate Schedule 33
Rate Schedule 60A/60

Application to Rates:

The per-therm Base Adjustment in the applicable Rate Schedules include the following adjustment:

Rate Schedule	Block	Rate Adjustment (per therm)	Rate Schedule	Block	Rate Adjustment (per therm)	
2		$0.00559	32 ITF	Block 1	$0.00807	(I) (I)
03 CSF		$0.00559		Block 2	$0.00807	
03 ISF		$0.00559		Block 3	$0.00807	
27		$0.00559		Block 4	$0.00807	
31 CSF	Block 1	$0.00559		Block 5	$0.00807	
	Block 2	$0.00559		Block 6	$0.00807	
31 CTF	Block 1	$0.00807	32 CSI	Block 1	$0.00559	
	Block 2	$0.00807		Block 2	$0.00559	
31 ISF	Block 1	$0.00559		Block 3	$0.00559	
	Block 2	$0.00559		Block 4	$0.00559	
31 ITF	Block 1	$0.00807		Block 5	$0.00559	
	Block 2	$0.00807		Block 6	$0.00559	
32 CSF	Block 1	$0.00559	32 ISI	Block 1	$0.00559	
	Block 2	$0.00559		Block 2	$0.00559	
	Block 3	$0.00559		Block 3	$0.00559	
	Block 4	$0.00559		Block 4	$0.00559	
	Block 5	$0.00559		Block 5	$0.00559	
	Block 6	$0.00559		Block 6	$0.00559	
32 ISF	Block 1	$0.00559	32 CTI	Block 1	$0.00807	
	Block 2	$0.00559		Block 2	$0.00807	
	Block 3	$0.00559		Block 3	$0.00807	
	Block 4	$0.00559		Block 4	$0.00807	
	Block 5	$0.00559		Block 5	$0.00807	
	Block 6	$0.00559		Block 6	$0.00807	
32 CTF	Block 1	$0.00807	32 ITI	Block 1	$0.00807	
	Block 2	$0.00807		Block 2	$0.00807	
	Block 3	$0.00807		Block 3	$0.00807	
	Block 4	$0.00807		Block 4	$0.00807	
	Block 5	$0.00807		Block 5	$0.00807	
	Block 6	$0.00807		Block 6	$0.00807	(I)
			33 (all)		$0.00807	
			60		$0.00748	
			60A		$0.00748	(I)

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SCHEDULE 198
RENEWABLE NATURAL GAS ADJUSTMENT MECHANISM
(continued)

SPECIAL CONDITIONS:

1. The Company will file this Schedule by August 1 of each year as necessary to update all charges already included on this schedule as needed. Updating of charges will include updating for the relevant vintage of the revenue requirement for previously included investments and a true-up for actual costs and volumes of previously included costs. This updating of charges will be supported by a deferral application (Schedule 198 Deferral) that will apply to costs recovered through this Schedule 198. The amortization of the Schedule 198 Deferral amount will be subject to an earnings test deadband. Per Order No. 22-388, the deadband is set at 50 basis points below and 50 basis points above authorized ROE.

2. In addition, the Company will file this Schedule on or before February 28 as necessary for proposed charges relating to new qualified investments in anticipation of the expected in-service date of the RNG project and providing time for stakeholder review.

3. The Company will provide in its Schedule 198 RNG project application filings a draft procedural schedule to accommodate stakeholder review and feedback, and may also include a technical workshop, depending on the size and complexity of the RNG project.

4. NW Natural will change rates under this schedule concurrent with annual Purchased Gas Adjustment on October 31. (C)

5. NW Natural will propose a cost allocation methodology consistent with Commission guidance, including Order No. 22-388 and any subsequent Commission precedent. For the Lexington RNG project, costs are allocated in accordance with Order No. 22-388, including the costs associated with the project that NW Natural deferred consistent with that order ("Lexington Deferral").

6. For purposes of this Schedule, only applications for RNG Project(s) exceeding $5 million individually or in aggregate will be eligible for recovery under this mechanism.

7. Within three years of the effective date of this tariff, NW Natural will convene a meeting with the parties in consolidated docket UG 411/UG 435 to meet and confer in good faith regarding a comprehensive review of Schedule 198. Any changes in Schedule 198 as a result of this review would apply prospectively to new RNG projects.

8. The provisions listed in the special conditions above may be modified if approved by the Commission.

QUALIFIED INVESTMENT COST RECOVERY:

The revenue requirement associated with qualified investments in RNG includes incremental depreciation expense, property and other taxes, return on investment, income taxes, operating and maintenance costs, and other costs relating to the Company's qualified investment. The capital structure and the cost of capital to be used in the calculation of return on rate base will be that adopted by the Commission in the Company's most recent general rate case.

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SCHEDULE 198
RENEWABLE NATURAL GAS ADJUSTMENT MECHANISM
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GENERAL TERMS:
This Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff, any other Schedules that by their terms or by the terms of this Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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