

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**LC 51**

In the Matter of )  
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 )  
NORTHWEST NATURAL GAS )  
COMPANY, dba NW NATURAL )  
 )  
2011 Integrated Resource Plan )  
\_\_\_\_\_ )

COMMENTS OF THE CITIZENS' UTILITY BOARD OF OREGON  
ON STAFF'S DRAFT RECOMMENDATIONS AND DRAFT ORDER

December 23, 2011



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**I. Introduction**

CUB is generally supportive of Staff's draft Recommendations and draft Order regarding NW Natural's 2011 IRP. Staff's recommendations that the Commission not acknowledge the IRP as submitted and that the Company revise and resubmit the IRP within six months are both sound proposals. The currently filed IRP is not worthy of acknowledgment, as it does not meet the Commission standards for acknowledgment.

**II. Commission Review Standard**

As discussed by Staff in its draft order, regulated energy utilities are required to prepare integrated resource plans within two years of acknowledgment of the last plan. Under the IRP guidelines utilities are also required to involve the Commission and the public in their planning process. The IRP guidelines require energy utilities to: (1) evaluate resources on a consistent and comparable basis; (2) consider risk and uncertainty; (3) make the primary goal of the process the selecting of a portfolio of resources with the best combination of expected costs and associated risks and

uncertainties for the utility and its customers; and (4) create a plan that is consistent with the long-run public interest as expressed in Oregon and federal energy policies.<sup>1</sup> The Commission will then acknowledge the resource plan if it satisfies the procedural and substantive requirements that seem reasonable at the time of issuing the acknowledgment order.<sup>2</sup>

### **III. Informal Meetings with Intervenors and Staff Do Not Alter the Requirement That the Company Prove Its Case to the Commission**

NW Natural devotes a large amount of ink and paper in its comments to a recitation of how many meetings it held with intervenors and Staff related to the creation and updating of its filed IRP. As recently noted by the Commission in Commission Order 11-432 entered in Docket UE 228, in relation to a prudence review:

PGE's point about its informal presentations to the Commission and parties regarding the MTS are unclear. While PGE acknowledges repeatedly that the Commission's awareness of the company's MTS did not constitute pre-approval or a finding of prudence, the company *also* exhaustively reviews each time that it notified the Commission of its MTS. We reaffirm that a party's informal presentations to Commissioners at a public meeting and updates to our Staff do not waive a thorough prudence review.<sup>3</sup>

CUB would encourage the Commission to take the same position here in regard to NW Natural's informal presentations to Commissioners, Staff, and Intervenors prior to the time for final acknowledgment by the Commission. Such informal discussions do not waive the requirement to fully document, support, and prove the need expressed in an IRP filing.

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<sup>1</sup> Order No. 07-047, Appendix A, pages 1-2.

<sup>2</sup> CUB's Response Comments page 1, footnote 1.

<sup>3</sup> Docket UE 228, Order 11-432, page 16.

#### **IV. NW Natural's Position on the Palomar Pipeline Is Unclear**

NW Natural's characterization of its position on the Palomar Pipeline and its role in this IRP is unclear as it is presented in the Company's filing. Staff's draft Recommendations point out that the cost-benefit analysis of the project is incomplete, given that the project's FERC application was withdrawn.<sup>4</sup> Furthermore, the wording of IRP Action Item 2.3 states that NW Natural will "[s]upport development of the Palomar East Pipeline, primarily for risk management purposes in diversifying the Company's supply path options." This statement could easily be taken, and was taken, as an indication that NW Natural was seeking acknowledgement of the project in this IRP. NW Natural now – at this very late date in the process – clarifies that "[t]he IRP clearly states that NW Natural is not seeking the Commission's approval of a portfolio that contains the pipeline"<sup>5</sup> and that "[w]hile NW Natural believes a cross-Cascades pipeline will provide customers with a greater diversity of supply and heightened reliability, the Company agrees that capacity on such a resource is not needed in the next two years."<sup>6</sup> While these clarifications from NW Natural are helpful, they do not negate CUB's concerns and do not address the additional analyses requested by CUB. Indeed, NW Natural maintains that it will not perform the necessary analyses requested by CUB. NW Natural's position will not move the process forward. CUB again respectfully requests that the Commission require NW Natural to conduct the requested analyses in this docket, not in a new IRP proceeding as suggested by the Company.<sup>7</sup>

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<sup>4</sup> Staff draft Recommendations, page 3.

<sup>5</sup> NWN Reply Comments page 3.

<sup>6</sup> NWN Reply page 5.

<sup>7</sup> NW Natural's Reply Comments to Staff's Draft Recommendations, page 1.

CUB also notes that NW Natural's clarification statement that it did not intend for people to interpret the IRP in a certain way only goes to show what a confusing and unhelpful IRP filing this has been. CUB agrees with Staff that the plan, as currently filed, is not ready for acknowledgment, with or without the Palomar/Blue Bridge information.

## **V. CUB Supports Staff's Recommendations**

CUB agrees with Staff's reasoning on the primary issues raised in Staff's Recommendations and Draft Order. NW Natural's preferred portfolio has not been fully analyzed and should be subject to more Monte Carlo simulation runs to ensure that it is the optimal course of action for the Company. The cost estimates for the Palomar Pipeline project are incomplete, leaving NW Natural to speculate as to the true project costs in its revised IRP. Additional analysis is also needed regarding weather forecasting metrics and storage facility capacity, among other issues.

Staff's support of CUB's recommendation that NW Natural be required to model the demand effects of the Company's straight fixed-variable (SFV) rate structure is appreciated. NW Natural objects to the inclusion of any issue related to its rate structure in the IRP, claiming instead that the proper venue is a general rate case. The basis of this argument is that the change to the rate structure has not yet been filed and it would be inappropriate to analyze an unapproved rate structure.<sup>8</sup> The Company has made clear, however, that it intends to file the revisions to its rate structure in its general rate case filing before the end of 2011.<sup>9</sup> Furthermore, the IRP includes analysis of a number of other aspects of NW Natural's operations that have not yet been explicitly approved by

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<sup>8</sup> NW Natural's LC 51 Reply Comments, page 3.

<sup>9</sup> NW Natural has indicated this in numerous conversations, most recently on December 21, 2011 at the Commission's Public Meeting.

the Commission or other regulatory bodies, such as the Palomar Pipeline project. CUB reiterates its recommendation that the Commission require the Company to model the effects of its SFV rate structure on customer demand.

NW Natural notes that besides recommending that the Commission not acknowledge the Company's Plan, Staff further recommends that the Company perform additional analysis to its plan within a six month period. The Company strongly opposes this suggestion and would prefer that the Commission acknowledge its revised IRP in its current state.<sup>10</sup> CUB agrees with Staff that there is no point to the filing of a new IRP until the questions raised by the old one are fully addressed.

## **VI. Conclusion**

Staff's draft Order provides an accurate overview of NW Natural's filing and the comments of the parties. The draft Commission Disposition section in Staff's Draft Recommendations and Draft Order would, as written, provide the appropriate ruling on the part of the Commission, and CUB's only recommendation is that language be added that also requires the Company to model the demand effects of the Company's straight fixed-variable (SFV) rate structure. CUB is otherwise fully in support of the draft Order as written and respectfully requests that the Commission adopt Staff's Draft Order in this docket.

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<sup>10</sup> NW Natural's Reply Comments to Staff's Draft Recommendations, page 1.

Respectfully Submitted,  
December 23, 2011

A handwritten signature in black ink, appearing to read 'Gordon Feighner', with a long horizontal flourish extending to the right.

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## LC 51 – CERTIFICATE OF SERVICE

I hereby certify that, on this 23rd day of December, 2011, I served the foregoing **COMMENTS OF THE CITIZENS' UTILITY BOARD OF OREGON ON STAFF'S DRAFT RECOMMENDATIONS AND DRAFT ORDER** in docket LC 51 upon each party listed in the LC 51 OPUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

**(W denotes waiver of paper service)**

**(C denotes service of Confidential material authorized)**

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