

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 64

In the Matter of)
)
)
 NORTHWEST NATURAL GAS) COMMENTS OF
 COMPANY, dba NW NATURAL,) THE CITIZENS' UTILITY BOARD
) OF OREGON ON STAFF
) RECOMMENDATIONS
 2016 Integrated Resource Plan.)
)
 _____)

INTRODUCTION

In comments filed on November 3, 2016, Citizens' Utility Board of Oregon ("CUB") acknowledged general support for NW Natural's ("the Company") 2016 Integrated Resource Plan (IRP).

Notwithstanding general support, CUB's initial comments highlighted concerns with two Action Items of the Company's IRP: investigation into the viability of developing an upstream methane emissions reduction project¹; and replacement or repair of the large dehydrator at Mist's Miller Station (the Company estimates replacement to cost between \$6 and \$7 million)².

The following comments present a brief recap of recap of CUB's concerns with regard to the aforementioned Action Items, followed by Staff's final recommendations, and CUB's support of these recommendations.

I. RECAP OF CUB'S CONCERNS

A. *The Company's Investigation into the Viability of Developing an Upstream Methane Emissions Reduction Project*

¹ LC 64: NW Natural IRP, page 1.18.

² LC 64: NW Natural IRP, page 1.18.

Ultimately, CUB applauds the Company's stated commitment to reduce upstream greenhouse gas emissions. Methane is of particular concern to CUB. Therefore, CUB agrees with both the Company and Staff that there exists a growing likelihood of, and obvious necessity for, future State or federal regulations to incentivize methane and/or carbon emissions reductions in the energy sector.

CUB maintains that employing California's Cap and Trade Program to determine a cost for Carbon within the proposed IRP, however, creates an issue in that SB 844 contains a 4% price cap for voluntary carbon emission reductions. In principle, SB 844 exists to facilitate voluntary emission reductions for natural gas utilities. Therefore, any pilot project that seeks to reduce emissions on a voluntarily basis must employ the established SB 844 mechanism.

CUB notes that the Company openly admits that in determining "whether upstream methane leakage reduction is prudent resource planning or a voluntary activity...[it] has not considered the existence of the 4% cost cap in SB 844"³.

CUB also notes that while future carbon or methane regulations are both necessary and likely, if not all together imminent, a prudent utility would not and should not apply this line of thinking when proposing near term purchases. Such activities must work within SB 844 guidelines.

B. Replacement or Repair of Large Dehydrator at Mist's Miller Station

CUB appreciates the Company providing needed clarity around the extent to which the large dehydrator at Mist's Miller Station serves core customers (as opposed to interstate storage or some combination of the two).

CUB agrees with both the Company and Staff that the Company can and should proceed with needed repair or replacement of the large dehydrator at the Miller Station.

However, CUB strongly encourages completion of the third party cost study ordered in UM 1654 as doing so would inform stakeholder understanding of the cost recovery implications prior to an appropriate rate filing.

While CUB's position is that the Company can and certainly should move forward with its investment into the Miller Station's large dehydrator, the Company should only do so with the clear understanding that cost recovery in rates will only be determined in a rate filing, and only after completion of the previously agreed upon third part cost study.

³ LC 64: NW Natural Comments, Page 24, Footnote 35.

II. STAFF'S FINAL COMMENTS & CUB'S SUPPORT

CUB supports Staff's recommendations regarding the Company's investigation into the viability of developing an upstream methane emissions reduction project, and replacement or repair of the large dehydrator at Mist's Miller Station.

A. The Company's Investigation into the Viability of Developing an Upstream Methane Emissions Reduction Project

Staff agrees with CUB's position that "because there are no present compliance costs associated with methane emission reduction, NWN's...reduction proposal" is by definition voluntary and, therefore, exceeds prudent utility resource planning activities. Staff highlights that "voluntary emission reduction project proposals can be submitted for Commission review through the ORS 757.539 process."⁴

While, at this time, Staff does not recommend acknowledgment of this Action Item, revisions to the Action Item would likely result in acknowledgement.

CUB agrees with Staff that while acknowledgement for the Company's proposed Action Item is not justified at this time, the opportunity exists for the Company to make clarifying revisions.

Therefore, while CUB cannot endorse the Action Item in its current form, we are eager to review and discuss any revisions to the Action Item.

B. Replacement or Repair of Large Dehydrator at Mist's Miller Station

Staff recommends acknowledgement of the Action Item, but with the caveat that "the prudence of any cost recovery potentially sought by the Company would only be considered in the context of a rate filing."⁵ Furthermore, Staff made clear that acknowledgement does not equate to pre-approval of any future cost recovery.

CUB agrees with Staff that acknowledgement for the Company's proposed Action Item is justified, but with the understanding that potential cost is only deserving of consideration in the context of a rate filing. CUB appreciates Staff clarifying that "acknowledgement of an Action Item does not equate to preapproval of that Item for rate recovery."

⁴ LC 64: Staff Final Comments, Page 7.

⁵ LC 64: Staff Final Comments, Page 6.

Dated this 19th day of January, 2017

Respectfully submitted,

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

Samuel Pastrick
Membership Advocacy Analyst
Citizens' Utility Board of Oregon