

**BEFORE THE PUBLIC UTILITY
COMMISSION OF OREGON**

LC 83

In the Matter of

CASCADE NATURAL
GAS CORPORATION'S

2023 Integrated Resource Plan.

OPENING COMMENTS OF THE
ALLIANCE OF WESTERN
ENERGY CONSUMERS

Introduction and Summary

Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide opening comments in response to the 2023 Integrated Resource Plan (“IRP”) of Cascade Natural Gas Corporation (“Cascade”). AWEC represents large energy consumers in the Pacific Northwest, including natural gas sales and transportation customers of Cascade.

This is the first IRP that Cascade has submitted since the enactment of the Climate Protection Program (“CPP”) regulations by the Oregon Department of Environmental Quality (“DEQ”).¹ Like other Oregon gas utilities that have recently submitted IRPs, the 2023 IRP for Cascade represents a major shift in its long-term resource planning, as well as its first attempt at optimizing resource alternatives for satisfying the Oregon CPP’s declining emission caps.²

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¹ See OAR § 340-271

² 2023 IRP at 5-4 – 5-7.

As a threshold matter, it is difficult to parse through what Cascade is requesting the Commission acknowledge in this docket. The action plan items presented in Chapter 11 are generally vague and not specific items that are actionable by the Public Utility Commission of Oregon (“Commission”). For example, Cascade’s action plan with respect to the CPP is largely void of any discrete resource actions or strategies. For example, under the heading “Resource Planning and Environmental Policy”, Cascade states that it “will purchase the anticipated required CCIs, RNG, or environmental attributes to meet the carbon reduction goals laid out by the Climate Protection Program.”³ It goes without saying that Cascade will need to take these actions to comply with the CPP. Therefore, AWEC does not view this type of action as being acknowledgeable by the Commission.

Similarly, with respect to distribution planning, Cascade identifies its 5-year capital budget provided in Appendix I, and states “Implement various stages or review of the of the list of projects that require an increase in capacity as shown in Appendix I.”⁴ Cascade then discusses the general modeling approach used for distribution system planning in Chapter 8, and provides a brief discussion of the specific capital additions confidential Appendix I. Confidential Appendix I provides a short introduction:

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³ 2023 IRP at 11-2.

⁴ *Id.* At 11-3.

“The purpose of this document is to show the Company’s 5-year budget for the engineering projects as well as details regarding each project. These projects were identified by the engineers through the Distribution System Planning Process Flow that can be seen on Page 8-11 of the IRP. These projects are areas that the Company is forecasting growth to a point where there may be capacity issues, therefore, budgeting to improve capacity needs.”⁵

Based on the information provided in the IRP, it is not clear precisely what Distribution System Planning actions Cascade is requesting the Commission acknowledge at this time. AWEC requests that Cascade provide more information to clarify its action plan in reply comments.

Notwithstanding these concerns, AWEC does appreciate that Cascade has prioritized RNG projects located in its service territory and does recognize the significant amount of effort that went into the IRP process.

AWEC Recommends Cascade Engage in A Stakeholder Process to Evaluate and Mitigate the Impacts of CPP Compliance Costs on Energy Intensive Trade Exposed Industry

In Appendix J of the 2023 IRP, Cascade presented the approximate rate impacts of various CPP compliance strategies for its customers. From these figures, it is apparent that there will be major impacts from both the CPP as well as the IRP. Given these significant rate increases, AWEC recommends Cascade engage in a stakeholder process to investigate and evaluate the impacts of the CPP on ratepayers and Energy Intensive Trade Exposed (“EITE”) businesses. OAR 340-271-8100 provides that:

4) If the average annual statewide retail cost of gasoline, diesel or natural gas in Oregon increases year-over-year by an amount that is more than 20

⁵ Id at Appendix I.

percent higher than the average change in cost for the same fuel over the same period in Washington, Idaho, and Nevada, DEQ will investigate the cause(s) of the increase and report to the EQC regarding whether changes to the rules in this division should be made that would ameliorate a relative increase in costs in Oregon. If necessary, DEQ will consider recommending rule changes, such as changes to caps and distribution of additional compliance instruments, changes to the compliance instrument reserve, or changes to the allowable usage of CCI credits.

Adopting greenhouse gas policies that force EITE business out of Oregon has no positive impact on the environment. Most EITE businesses have no viable alternative source of energy than natural gas. Industry in Oregon competes with businesses throughout the country and around the globe. Raising the cost of one of the largest operating expenses by such a large magnitude is undoubtedly going to harm the competitiveness of Oregon businesses. This could result in the production of vital goods and supplies produced by Oregonians transferring out of the state and out of the country to areas where the overall cost of production is lower and into areas with fewer environmental protections.

Energy intensive industry in Oregon will be profoundly impacted by the rate increases related to the CPP that Cascade identified in the 2023 IRP. Considering these impacts and the overall policies of the state, AWEC recommends that Cascade engage in a collaborative discussion with stakeholders, including the Oregon DEQ, to evaluate the impact of the CPP on EITE businesses in Oregon, with the goal of mitigating these impacts and keeping business in the state.

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AWEC Recommends the Commission Not Establish Widespread Electrification Policy in This Docket

Similar to its recommendation in the Avista 2023 IRP, AWEC recommends that the Commission avoid making any widespread policy decisions about electrification in this docket, and instead, focus on the cost effectiveness of the specific measures that Cascade analyzed in its filing. Electrification is a complicated issue that impacts both the gas and the electric system. Accordingly, evaluating electrification in gas utilities' standalone IRP is challenging.

In its Scenario 4, Cascade apparently concluded that costs are lower in an electrification scenario.⁶ AWEC has concerns with this analysis, however, because it only considered Cascade's costs and did not correspondingly consider increased cost on the electric system. Simply looking at the impact of electrification on the gas system costs, without considering the corresponding electric system costs, only tells half of the story and provides an incomplete picture. For example, Avista considered in its IRP the electric cost implications of the specific electrification measures that it studied and concluded that electrification was not cost effective. AWEC, however, understands that Cascade generally does not have such information available, making such an analysis complicated.

Further, more study of the *marginal* effects of electrification on greenhouse gas emissions needs to be performed before considering widespread electrification policies. PacifiCorp, which provides electric services in Cascade's service territory, for example, has significant carbon emissions, and encouraging customers to switch to less efficient electric space heaters powered by PacifiCorp's electric system will not have a positive impact on greenhouse gas emissions.

Further, when evaluating the greenhouse gas emissions between the natural gas and

⁶ 2023 IRP at 9-32

electric system, it is imperative to consider the incremental impacts on emissions caused by the incremental load, not the average emissions. Simply assuming that adding new load on PacifiCorp's system will result in PacifiCorp's average emissions is not accurate. This is an important consideration with respect to electrification because, while average emissions have been declining in the West, marginal emissions have been increasing. A recent peer reviewed paper published in the Proceedings of the National Academy of Sciences, for example, concluded the following:

In contrast to average emissions, we find that marginal CO₂ emissions are increasing or remaining constant in all three interconnections (Fig. 1 and SI Appendix, Table S2). In addition to providing an estimate for each year in each region, we estimate linear trends in marginal emissions over time and find positive and statistically significant effects in the East and West, but not in Texas (Fig. 1 and SI Appendix, Table S3). Applying the estimated year-to-year changes, we find that, since 2010, marginal CO₂ emissions increased 6% in the East and 15% in the West. The increase in marginal emissions for the United States as a whole was 7% over the last decade, and this occurs despite the fact that average emissions declined 28% over the same period.⁷

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⁷ Holland, et. al., *Why marginal CO₂ emissions are not decreasing for US electricity: Estimates and implications for climate policy*, Proceedings of the National Academy of Sciences, Vol. 119, No. 8 (Feb. 2022).

A marginal emission analysis of electrification can be viewed in both the short-term or the long-term. In the short-term, i.e., in the absence of any new transmission or generation resource additions, a marginal emissions analysis is fairly straight forward. An increase in system demand on the electric system will result in an increase to the dispatch of the marginal generation resource. Historically, this has been a natural gas fired combustion turbine, but as demands and electric prices have risen in recent years, the incremental resource may have a position much further down the generation stack, perhaps corresponding to increased generation from coal fired steam turbines. Thus, in the short-term, the incremental emissions of electrification could be quite high relative to the emissions of natural gas. If viewed in the long-term, however, the analysis of electrification becomes much more complicated and further study should be performed before policy decisions are made.

Importantly, efforts are underway to decarbonize both the gas and the electric systems. There are some advocates that strongly believe that decarbonization of the electric system is more likely or more feasible than decarbonization of the gas system. As noted in PacifiCorp's recent IRP, however, achieving a near-zero carbon future on the electric side, likely cannot occur without the development of low-carbon fuels, such as hydrogen and synthetic methane.⁸ As PacifiCorp stated:

“The 2023 IRP also includes 606 MW of non-emitting peaking resources by year-end 2029, increasing to 1,240 MW by the end of 2036. The advancement of these new technologies are [sic] critical to the planned transition of PacifiCorp's coal fleet.”⁹

⁸ PacifiCorp, 2023 Integrated Resource Plan at 227 (2023).

⁹ Id. at 15.

And in the short-term, the electric system still depends heavily on greenhouse gas emitting resources, such as coal generators, and the direct use of natural gas is more carbon efficient than using that natural gas to generate electricity. Granted the evaluation of the carbon emissions and greenhouse gases is complicated and must consider the efficiencies of different technologies (e.g., heat pumps versus a furnace), direct versus indirect use of fuel, and considerations of methane emissions and leakage which are present in both the electric system through gas fired generation and the gas system. A comprehensive analysis of these factors needs to occur before concluding that electrification is a viable pathway for decarbonization in the long-term. Considering these factors, AWEC recommends against making widespread policy decisions surrounding electrification in this docket.

AWEC Recommends that Cascade Accelerate Its Industrial Energy Efficiency Program

AWEC is aware that Cascade has begun efforts in collaboration with certain transportation customers to perform customer energy efficiency measures for purposes of complying with the CPP. AWEC is supportive of these efforts. Cascade, through Frontier Energy, has taken a proactive approach to evaluating transportation customer energy efficiency.¹⁰ These efforts are to be commended. Notwithstanding, there are only a few paragraphs of discussion of how Cascade plans to address transportation energy efficiency going forward.

¹⁰ 2023 IRP at 7-35.

Cascade does include an action plan item that states that it “will continue to work with Energy Trust of Oregon (ETO) in an effort to create a DSM program for non-core customers.”¹¹ AWEC does not oppose this recommendation. Notwithstanding, AWEC is supportive of the work that Cascade has been doing with Frontier Energy and believes that it is also appropriate for those efforts to continue. Accordingly, AWEC proposes the addition of an action plan item as follows:

Cascade will continue engaging with transportation customers and perform custom energy efficiency projects where doing so is a cost effective means of complying with the CPP.

AWEC also requests that Cascade update stakeholders on the status of the transportation energy efficiency program.

AWEC Recommends Cascade Discuss its Pipeline Optimization Activities

Cascade holds pipeline rights that cover delivery points across the Western region on Northwest Pipeline, Ruby Pipeline, and access to Canadian gas markets through its rights on the GTN system and the Enbridge system. It has also contracted for the proposed GTN expansion. These pipeline rights are valuable, and if used correctly, can have major impacts on reducing customers’ gas costs. Cascade uses Tenaska as its marketing agent, the same agent that is responsible for optimizing transportation for NW Natural. AWEC is not clear how Cascade’s pipeline optimization revenues are flowing through to ratepayers. It is also not clear what Cascade is doing to optimize those revenues. Accordingly, as an action plan item, AWEC recommends the commission approve the following:

¹¹ 2023 IRP at 11-3

Within 180 days following the final order on Cascade's IRP, Cascade will file a report discussing and evaluating its pipeline optimization activities, including how those pipeline optimization revenues are being returned to ratepayers.

AWEC Recommends the Commission Acknowledge the Prineville Gate Upgrade, But Not the Baker City or Ontario Reinforcement Projects

Cascade's IRP document contains very little detail about the specific pipeline upgrades and enhancements that it is planning to meet its system needs. For example, Chapter 8 discusses the modeling that Cascade used for distribution system planning, and confidential Appendix I provides some detail about the specific projects that Cascade is proposing based on its modeling results, and a brief discussion about the tradeoffs between different alternatives.

In Chapter 11, however, Cascade proposes the somewhat ambiguous action item "Implement various stages or review of the of the list of projects that require an increase in capacity as shown in Appendix I." This action item is ambiguous on its face, as it is not clear what is meant by implementing various stages or review of a project. This could mean that Cascade is going to build a project, or that it is only going to review it, or that it is budgeting for it. The difference between these outcomes, however, is very impactful to ratepayers. Acknowledging a project review will be less impactful to ratepayers, than a decision to proceed with the project. It is simply not clear to AWEC what Cascade is proposing.

Appendix I lists three specific projects that fall under this action plan item: Prineville Gate Upgrade; Baker City Reinforcement (Targeted Load Management Candidate); and Ontario Reinforcement (Targeted Load Management Candidate).

With respect to these three projects, the only one that appears to be actionable at this time is the Prineville Gate Upgrade. Based on the load growth documented in Prineville, AWEC does not oppose acknowledgement of the Prineville Gate Upgrade, provided that the capital budget estimates are accurate. There are interruptible loads in the Prineville area that may be able to mitigate, and possibly delay, the need to make this investment. Notwithstanding, the investment cost seems reasonable for this type of project. If the ultimate cost of the project ends up being materially greater than proposed in the IRP, however, then it would be appropriate to reevaluate the prudence of this investment and prioritize demand side management activities.

With respect to the Baker City and Ontario Reinforcements, it appears that Cascade is proposing to pursue demand side management instead of making reinforcement investments within the respective distribution systems. AWEC is supportive of this decision. Notwithstanding, to the extent that Cascade decides to invest in DSM in these areas, AWEC does not believe it is necessary for the Commission to explicitly acknowledge this decision as a component of Cascade's distribution system planning. The Demand Side Management action item already covers this action and given the way the Distribution System Planning action plan item was worded, AWEC is concerned that Cascade may misinterpret an acknowledgment of these items as justification for investing in the reinforcement projects, in the event that the demand side management program fails to materialize as planned. In summary, AWEC recommends that the Commission not acknowledge Cascades action item related to distribution system planning for the Baker City Reinforcement and Ontario Reinforcement without additional justification from Cascade. AWEC does not oppose acknowledgement of the Prineville Gate Upgrade.

AWEC is Supportive of Cascade Pursuing Cost Effective On-System RNG Projects

Given the number of potential on-system RNG projects, Cascade may be in a unique position within its service territory with respect to RNG in the near term. While Cascade identifies these projects in the 2023 IRP, the IRP is lacking an analysis of whether these projects will be cost effective. AWEC is supportive of pursuing local projects, but these projects need to be thoroughly evaluated from an economic perspective before approving capital spending for them. These projects appear to be in preliminary planning phases and are not ready to be fully evaluated in the IRP. Cascade does not appear to be specifically requesting the Commission acknowledge these projects. Therefore, it is not necessary to consider them in the Commission's acknowledgement.

AWEC Does Not Support Blanket Acknowledgment of Any and All CPP Costs

AWEC is concerned with the action plan item that states "Cascade will purchase the anticipated required CCIs, RNG, or environmental attributes to meet the carbon reduction goals laid out by the Climate Protection Program."¹² This action plan item is too generic to warrant acknowledgement. Cascade is required by the CPP to perform the actions in this request, so it is not necessary for the Commission to acknowledge it in any event.

Rather than acknowledging a generic action item such as this, the Commission's review surrounding CPP compliance should center around how, specifically, the utilities will meet the CPP requirements in the most cost-effective fashion. While Cascade presents portfolios that include RNG, CCIs and Hydrogen to meet the CPP, it is not entirely clear how specifically Cascade is proposing to meet the requirements in the action plan period. AWEC requests that

¹² 2023 IRP at 11-2.

Cascade provide more detail in reply comments.

Cascade’s Voluntary RNG program Should Be Reevaluated in The Context of the CPP

One of Cascades action plan items is “Cascade will purchase the necessary amount of RNG for the Company’s voluntary RNG program.” Given that it is now mandatory for Cascade to comply with the CPP, including purchasing RNG to satisfy the program requirements, AWEC believes that the voluntary RNG program needs to be reevaluated in the context of the CPP. In essence, all RNG should be acquired to comply with the CPP, not to meet individual customers’ voluntary requirements. It may be reasonable if customers participating in the voluntary RNG program wish to pay more to receive a higher allocation of RNG than acquired for CPP compliance, but the actual acquisition of RNG should be evaluated holistically in the context of the CPP.

Conclusion

AWEC appreciates the opportunity to provide these comments and looks forward to future participation in this docket.

Respectfully submitted,



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