

BEFORE THE PUBLIC UTILITY

COMMISSION OF OREGON

LC 83

In the Matter of

CASCADE NATURAL
GAS CORPORATION'S

2023 Natural Gas Integrated Resource Plan.

ALLIANCE OF WESTERN
ENERGY CONSUMERS
COMMENTS ON STAFF
FINAL COMMENTS

Introduction

Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide comments in response to Staff’s Final Comments in Cascade Natural Gas Corporation’s (“Cascade”) 2023 Integrated Resource Plan (“IRP”). As noted in Opening Comments, AWEC represents large energy consumers in the Pacific Northwest, including natural gas sales and transportation customers of Cascade. Accordingly, AWEC is interested in ensuring that its members have access to safe, reliable, and competitively priced energy supplies and services and in promoting a healthy economy and environment in the Pacific Northwest and beyond.

As Staff and other parties have noted, as a result of the Climate Protection Program (“CPP”) regulations adopted by the Oregon Department of Environmental Quality (“DEQ”),¹ this IRP represented a major shift in Cascade’s long-term resource planning, and its first attempt

¹ See OAR Chapter 340 Division 271.

at optimizing resource alternative for satisfying the Oregon CPP’s requirements. As Staff also noted in the cover letter to its Final Comments, however, the CPP rules have since been invalidated. On December 19, 2023, the Oregon Court of Appeals issued a decision, finding that there were deficiencies in the DEQ’s rulemaking process and held that the CPP rules were invalid.² The Environmental Quality Commission (“EQC”) declined to appeal to the Oregon Supreme Court, and, as a result, the CPP rules are no longer in effect. As Staff also noted, there was insufficient time to fully analyze the implication of this ruling in Staff’s Final Comments.³ Staff’s Final Comments were filed just three days after the Oregon Court of Appeals’ decision, and the possibility remained that the EQC would appeal, leading to greater uncertainty surrounding the CPP rules at that time. Accordingly, the Staff Final Report did not consider this major development in crafting its recommendations in its Final Comments.

Now that there is certainty that the CPP rules are invalid, and that the decision will not be appealed, there are questions regarding the appropriate next steps. While the rules are no longer in effect, state policy towards greenhouse gas emissions remains, and it is likely that a new program or legislation will be adopted in the future. However, the framework for such a new program is unknown. For this reason, AWEC believes the most appropriate course of action is for utilities to continue planning efforts surrounding greenhouse gas emissions, but to defer making any major financial commitments until new rules or a new program, whatever form they may take, are implemented.

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² *In re Northwest Natural Gas Co. vs Environ. Quality Comm’n*, 329 Or App 648 (2023)

³ Cover Letter to Staff Final Comments at 1.

AWEC Recommends Cascade Postpone all CCP Compliance Actions Until Future Rules are Finalized or New Legislation is Adopted.

Given the Oregon Court of Appeals' decision, there is significant uncertainty surrounding the direction that Oregon's greenhouse gas policy might take. It is AWEC's understanding that the Oregon DEQ is in the process of initiating a rulemaking to implement new rules, although the ultimate substance and form of those rules is unknown. It is also possible that legislation will be adopted. Given this uncertainty, AWEC believes that the most prudent action for Cascade is to postpone making major investment decisions surrounding CPP compliance, such as investment in major utility owned renewable natural gas ("RNG"), until new rules are developed. It goes without saying that any plan to acquire Community Climate Investments ("CCIs") should also be delayed since the rules creating this program were invalidated by the Oregon Court of Appeals' decision.

As a general matter, the Oregon Court of Appeals' decision represents an opportunity for the State to reevaluate the way that the CPP was structured, and to create a new emissions reduction program that includes better ratepayer protections, including redesigning the program to be more consistent with the energy-intensive, trade-exposed ("EITE") industry programs in California and Washington. It is also a good opportunity to create a program that provides more compliance alternatives than the CPP, which was primarily limited to CCIs and RNG. As it stood previously, the availability of CCIs and the national supply of RNG was likely insufficient to meet CPP compliance obligations beginning in the second compliance period.

Regardless of the outcome of future rulemaking or legislation, however, the reduction of greenhouse emissions will continue to be an important aspect of Oregon state policy. Many of the energy efficiency and RNG investments Cascade has been evaluating in this IRP may be

useful in advancing that policy. Therefore, considering the Oregon Court of Appeals’ decision, AWEC recommends that Cascade continue to evaluate and engage in procurement processes for RNG, albeit without making any major capital investments at this time. This recommendation is generally consistent with Staff Recommendations 13 and 14, in which Staff recommended against acknowledging planned RNG acquisitions for the first and second CPP compliance period.⁴

Notably, Cascade is also pursuing some voluntary RNG investments for the benefit of its sales customers pursuant to Senate Bill (“SB”) 98. As Staff noted, however, those investments are currently being considered in Docket UM 2307,⁵ and therefore, are appropriately considered in the context of UM 2307, not this one. As voluntary investments, they are not necessary to consider, or acknowledge, in the context of a least-cost plan.

AWEC Continues to Recommend Cascade Engage with Stakeholders to Evaluate the Treatment of Energy Intensive Trade Exposed Industry in Oregon Climate Policy.

In Opening Comments, AWEC noted that the impacts of CPP compliance costs on EITE customers were expected to be significant. While the CPP rules are no longer in effect, AWEC continues to recommend that local distribution companies engage with stakeholders with respect to the treatment of EITE customers in Oregon climate policy. Staff did not directly respond to this concern in its Final Comments.

AWEC appreciates that Cascade acknowledged its concern.⁶ The issues surrounding EITE policy, need not necessarily be the subject of an acknowledgment decision, particularly

⁴ Staff Final Comments at 18-19.

⁵ Staff Final Comments at 11.

⁶ Cascade Reply Comments at 11-12.

considering the status of the CPP rules. Notwithstanding, EITE businesses represent a cornerstone of Oregon's economy, and the unique policy concerns surrounding those customers need to be considered, especially in the context of new rule making or legislation.

Accordingly, AWEC recommends Cascade engage with industry and stakeholders in the context of future policy and rulemaking processes to develop methods to protect EITE customers. Under the CPP, the high costs of greenhouse gas compliance for EITE customers relative to other states where EITE customers have special programs, would have made it challenging to conduct business in Oregon, potentially driving energy intensive businesses out of the state. Both California and Washington have greenhouse gas policies similar to Oregon, but their greenhouse gas programs have specific programs to protect EITE customers and the states' economy. Therefore, achieving Oregon's greenhouse gas objectives and protecting EITE customers are not mutually exclusive. AWEC continues to recommend that Oregon follow suit with other states and adopt programs and principles to protect EITE businesses, as new rules are developed, and looks forward to future dialogue on this issue.

AWEC Supports Staff's Recommendation for Cascade to Consider all Costs Associated with Electrification.

In Opening Comments, AWEC noted that electrification is a complicated issue that impacts both the gas and the electric system. AWEC noted the importance of considering the emission impacts of electrification policy in a holistic manner, considering the impacts on both the natural gas and electric system. In particular, AWEC was concerned with Cascade's electrification analysis because it considered only Cascade's costs and did not correspondingly consider increased costs on the electric system. This led to a misleading result that made it appear that electrification was a cost-effective demand side resource, even though a properly

performed analysis that considered all of the costs may have concluded otherwise.

Staff generally supported AWEC’s recommendations, noting—in the context of analyzing non-energy impacts of non-pipe alternatives—that “AWEC highlighted the complexity of evaluating the emissions impact of transferring energy use to electric utilities.”⁷ Staff primarily interpreted AWEC’s Comments as relating to non-energy societal considerations, which typically fall outside of the scope of traditional IRP planning. Based on that interpretation, staff noted that “a societal perspective means that the analysis considers both the social benefits and the social costs[,]”⁸ including the complicated greenhouse gas impacts associated with electrification on both the gas and the electrical system.

AWEC generally agrees with Staff’s comment that an evaluation of societal costs must consider both the costs and the benefits. Notwithstanding, AWEC’s comments regarding the case for electrification included not just societal costs, such as greenhouse gas emissions, but also energy costs, particularly in the context of demand side resources.

Cascade acknowledged that it did not consider the corresponding electric service costs in its electrification analysis.⁹ Therefore, its Scenario 4, which makes electrification appear to be a cost-effective demand side management resource, was not a valid analysis to conclude that electrification is a cost-effective measure for serving customer’s energy requirements.

Analyzing electrification as a least cost resource for serving the energy demands of customers necessarily expands the scope of the least cost, least risk analysis beyond the boundaries of the costs incurred by the local distribution company. If those boundaries are to be

⁷ Staff Final Comments at 14

⁸ *Id.*

⁹ Cascade Reply Comments at 11.

expanded, they must be expanded for both the costs and the benefits of the measure in question. If migrating energy demands to the electrical system results in an increase to electric service cost for customers, the corresponding impact on electric service costs for serving the customers energy must be considered in the analysis, not as a social cost, but as a direct cost associated with electrification.

In terms of social costs, AWEC appreciates Staff's comments that both the costs and benefits must be considered in a holistic manner. In reviewing Staff's comments, AWEC does recommend the Commission exercise caution before turning the utilities IRPs into a complicated and potentially controversial analysis of societal costs, as those can be difficult, if not impossible to quantify. In this case, however, where specific state greenhouse gas policies are at issue, it is necessary to consider those impacts in a holistic manner, including both positive and negative impacts from a particular action. Staff's particular recommendation was that "Non-Energy Impacts must be included as part of [an] NPA analysis."¹⁰ Considering its commentary on this matter, AWEC is supportive of Staff's recommendation in this regard. Further in Avista's 2023 IRP, Staff recommended "that the forthcoming OPUC process to update its IRP guidelines may be the best place to address accounting for emissions assumptions across energy sectors."¹¹ In general, AWEC is also supportive of this recommendation, which is generally consistent with AWEC's recommendation in Opening Comments in this docket.

Notably, AWEC is particularly interested in evaluating the emissions impact of electrification on a marginal basis, rather than an average basis. This is an important consideration. Such an analysis might have both short-term marginal and long-term marginal

¹⁰ Staff Final Comments at 13.

¹¹ UG 81, Avista 2023 IRP, Staff Final Comments Second Errata at 37.

impacts. In the short-term, increased demand on the electric system from electrification will result in increased dispatch from the marginal electric resource, which will likely be a highly emitting thermal resource. Thus, the short-term impacts of electrification may be contrary to Oregon state policy. In the long-term, however, the analysis becomes more complicated, involving new resources and transmission investments being built to accommodate the incremental electrical load. Advocates of electrification appear to be banking on this long-term view, while ignoring the emission impacts (not to mention the cost impacts) in the short-term. Balancing the short-term and long-term marginal effects of a policy such as electrification is, therefore, an important consideration.

Because carbon dioxide remains in the atmosphere for an extended period, reducing near-term emissions should be the primary goal of a greenhouse gas policy.¹² Setting an aggressive goal to reach *net zero* by a date certain has little value if the path to get there results in higher emissions than would take place with a more gradual glide path. AWEC recommends the Commission exercise caution before taking actions that could potentially increase greenhouse gases today. It is not sound greenhouse gas policy, for example, to increase greenhouse gas emissions today, with the expectation that new carbon free electric resources will be built in the future to offset those short-term emission increases. At a minimum, before pursuing such a policy, a long-term positive impact on overall emissions needs to be documented by a clear marginal analysis, which has not been undertaken.

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¹² See e.g. Betram, et. al., *A Path to Zero*, International Monetary Fund, Finance and Development at 58 (Sep. 2021). Available online at <https://www.imf.org/en/Publications/fandd/issues/2021/09/> (accessed Jan. 15, 2024).

AWEC Recommends that Cascade Continue its Efforts with Transportation Energy Efficiency Program.

In Opening Comments, AWEC noted that it supported Cascade's efforts and its collaboration with parties to establish transportation energy efficiency programs. AWEC noted that Cascade has taken a proactive approach to transportation energy efficiency through the work being done with Frontier Energy. AWEC commended such efforts and recommended that Cascade continue them, but those comments were made in the context of the CPP.

In response, Cascade reiterated some of the successes of its custom program with Frontier Energy and stated "[T]he Company believes partnering individually with Transport Customers, and building custom projects to help meet carbon reduction goals, would help expedite this process."¹³

Notwithstanding the Oregon Court of Appeals decision, AWEC continues to be supportive of Cascade's efforts to conduct custom, targeted transportation energy efficiency projects, and looks forward to future stakeholder engagement on this issue. Accordingly, AWEC would support incorporating the following action item into Cascade's Action Plan.

AWEC proposed action item: Cascade will continue engaging with transportation customers and perform custom energy efficiency projects where cost effective.

AWEC Recommends Cascade Report on its Pipeline Optimization Activities Within 180 Days of the Commission's Final Order.

In Opening Comments AWEC discussed Cascade's extensive pipeline rights and its pipeline optimization activities. At that time, it was unclear to AWEC how those optimization activities were being undertaken, or how the benefits of those activities were being allocated to

¹³ Cascade Reply Comments at 12.

customers. AWEC recommended that Cascade file a report evaluating such activities within 180 days of the Commission's Final Order in this matter. Both Staff and Cascade supported this recommendation.¹⁴

Since filing its Opening Comments, AWEC has gained further information regarding Cascade's pipeline optimization activities, and, as a general matter, has some concerns with the lack of transparency over the optimization activities being undertaken by Tenaska, who is simultaneously representing both NW Natural and Cascade. As the non-regulated marketing agent for both entities, there are limited protections for ratepayers surrounding the transactions that are being made, and it appears that Tenaska is simultaneously acting in the interest of customers from both utilities. AWEC is interested in learning more about this arrangement.

These agreements with marketing agents can be hugely impactful on the cost paid and value received for transportation services provided to ratepayers, and deserve to be carefully reviewed and scrutinized by the Commission before being executed.

AWEC Supports Cascade's Efforts to Find a More Costly Alternative to the Prineville Gate Project, Although Recommends Against Acknowledgement of Any Particular Resource Action.

AWEC did not oppose the Prineville Gate Project, given the level of capital costs that had been proposed. In Reply Comments, however, Cascade noted that may have identified a more cost-effective alternative to deal with the congestion in the Prineville area, and this was confirmed at the Commission workshop.¹⁵ AWEC does not necessarily oppose a cost effective and reliable alternative.

¹⁴ Cascade Reply Comments, at 5-8, Staff Final Comments at 8-9.

¹⁵ Cascade Reply Comments, at 7.

Notwithstanding, the full scope of the solution was not presented in the IRP. It is possible, for example, that customers would be better off investing in the gate station now, rather than a short-term fix, that requires further investment in the future. The cost of constructing utility infrastructure has been rising rapidly, and a long-term fix today may be more cost effective than a short-term one coupled with a more expensive investment in the future.

Given that there was no concrete analysis of the new alternative to the Prineville gate station constraint presented in Reply Comments, AWEC recommends against acknowledging any specific action with respect to the Prineville gate station without more information from Cascade. AWEC believes that Cascade can proceed with its intended solution, which appears to be changing rapidly, without express Commission approval.

AWEC Recommends Against Acknowledgement of any Particular Action for the Baker City or Ontario Reinforcement Projects.

AWEC also recommends against acknowledging any particular action for the Baker City or Ontario reinforcement projects. As AWEC noted in Opening Comments, Cascade's action plan is generally vague with respect to the planning actions it intends to undertake with respect to the Baker City and Ontario Reinforcement projects. Cascade had initially planned to address these constraints with targeted load management projects, although the Action Plan implied that Cascade may pursue a pipe alternative in the future.

Further, in Reply Comments, Cascade identified problems it encountered when trying to work with the Energy Trust of Oregon to implement custom non-pipe alternative energy efficiency measures.¹⁶ Considering the limitations that Cascade raised, AWEC believes it is

¹⁶ Cascade Reply Comments at 8.

appropriate for Cascade to continue to pursue such projects on its own initiative, including custom energy efficiency projects for transportation customers.

AWEC is supportive of Cascade's continued efforts to identify non-pipe alternatives for the system constraints in Baker City and Ontario. Notwithstanding, at this point there is no real non-pipe alternative to consider or evaluate against a traditional solution. Cascade, for example, states "[A]s time is of the essence, Cascade will proceed with additional non-pipe alternative planning as appropriate and will discuss other non-pipe alternatives considered in future IRP's."¹⁷ Given that the additional non-pipe alternatives that Cascade is considering have not yet been identified, AWEC believes it would be inappropriate to acknowledge any particular action with respect to the Baker City or Ontario reinforcement projects.

Conclusion

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

Respectfully submitted,



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¹⁷ Cascade Reply Comments at 8.