

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 28, 2015

REGULAR X CONSENT EFFECTIVE DATE Upon Commission Order

DATE: April 13, 2015

TO: Public Utility Commission

FROM: Erik Colville



THROUGH: Jason Eisdorfer and Aster Adams

SUBJECT: CASCADE NATURAL GAS: (Docket No. LC 54) Recommendations
Regarding Cascade's 2011 Integrated Resource Plan Update and
Supplemental Updates.

STAFF RECOMMENDATION:

Staff recommends that Cascade Natural Gas Corporation's (Cascade) second 2011 Integrated Resource Plan (IRP) Supplemental Update Action Items not be acknowledged for the following reasons:

- Second Supplemental Update Action Item 1 has already been completed (action taken November 2014).
- Cascade's 2014 IRP (Docket No. LC 59) is due for filing May 29, 2015. The 2014 IRP Action Plan will need to include Second Supplemental Update Action Item 2, since that Action Item calls for completion of additional resource investigation/analysis by late 2016-early 2017.

DISCUSSION:

Procedural History

General Description of the 2011 IRP Update

Cascade filed its 2011 IRP Update (Update) on August 13, 2013. Summarized below are the subjects that the Update addressed.

Demand Forecasting and Distribution System

Cascade is in the process of refreshing its modeling inputs and updating its analysis of the distribution system integrity. Cascade plans to provide an expanded discussion about planned projects in the 2014 IRP. Additionally, Cascade is working to modify, for the 2014 IRP, its SENDOUT optimization modeling to focus demand forecasting on the city-gate as opposed to the zonal level.

Demand-Side Resources

Cascade and the Oregon Public Utility Commission (OPUC) Staff determined during 2012 that the most efficient manner for collecting revenues that meet the annual budget needs of the Energy Trust of Oregon (ETO) is solely through the public purpose charge. As a result, Cascade will no longer utilize deferrals to provide portions of annual ETO funding. Cascade is keeping closely apprised of the establishment of ETO's future term savings targets and budget requirements so that any associated public purpose charge modifications will be timely and will collect the required funds. Discussions related to the funding and program design of the low-income programs took place during 2012 between Cascade, OPUC Staff, Community Action Partnership of Oregon (CAPO), and other agencies. It was determined that prior to recommending substantive modifications of the low-income program to the OPUC, it was necessary for Cascade to commission a third-party, independent, evaluation of the program. This evaluation will be completed in 2013.¹

Oregon Supply-Side Resources

In order to help mitigate the projected central Oregon shortfall of 30,000 decatherms (Dths) per day by 2031, as discussed in Section 5 of the 2011 IRP, Cascade negotiated with Ruby Pipeline (Ruby) to acquire 10,000 Dths per day of firm, primary path winter-only capacity from the Opal Hub to Ruby's interconnect with the Gas Transmission Northwest (GTN) pipeline. This winter-only capacity is under a 25 year contract at a discounted rate that will allow Cascade to bring Rockies gas to Oregon beginning in November 2012, thus increasing supply diversity (currently over 80 percent of central Oregon is supplied by Alberta Energy Company (AECO) gas and to address the need for incremental supplies. As additional alternatives to fill the remaining capacity shortfall are identified, they will be evaluated and presented for consideration by Cascade's Gas Supply Oversight Committee (GSOC).

¹ The evaluation was completed and presented to stakeholders on May, 31, 2013.

Washington Supply-Side Resources

Based on Cascade's analysis, there is a projected peak day capacity shortfall at the Bellingham gate. Cascade has consistently worked with Northwest Pipeline (NWP) over the last several years to meet this shortfall via a combination of strategies. However, even with these strategies, Cascade is still short based on peak day projections starting in calendar year 2022. NWP and Cascade completed an exhaustive examination of contract demand, maximum daily delivery obligations (MDDO), and projected load. While Cascade has the flexibility to allocate contract demands to the MDDOs based on different potential flow patterns, using the longest path is logically the most prudent for planning purposes. Under Cascade's most recent capacity acquisition from NWP, Cascade became the Prearranged Shipper for 15,000 Dths per day of Sumas to Bellingham. The cost of the associated facility upgrade is anticipated to be less than \$1 million. As the path of the capacity will be solely in Washington, the incremental demand gas costs will be assigned to Washington and not shared with Oregon.

Even after acquiring this capacity for Bellingham there is still a potential shortfall on peak day after 2022. Cascade has the opportunity to acquire additional capacity from NWP through participation in its Washington South Expansion project, which runs from Sumas to a point near Woodland, Washington. While participating in the Washington South Expansion project would likely eliminate the remaining projected shortfall, Cascade has determined it is not prudent to participate in the expansion at this time. There are several reasons given for its decision:

- The Washington South Expansion is still in the initial planning stages.
- The Washington South Expansion will likely be at rates higher than current tariff rates.
- Over the last several years there have been concerns expressed regarding elements of Cascade's demand forecast, as well as need for extension of its capacity and city gate studies.

Given the effort that is currently being undertaken to reassess Cascade's demand forecast methodology, it seems prudent to postpone addressing the remaining shortfall until the new forecast process/method is in place. In the meantime, it seems reasonable given the size of the projected shortfall, to acquire the incremental, vintage priced capacity NWP is offering at this time. After completion of the forecast methodology

improvement,² Cascade will assess the potential capacity shortfalls. As opportunities present themselves, Cascade will keep stakeholders informed through the IRP technical advisory group (TAG) meetings leading up to the 2014 IRP.

General Description of the 2011 IRP Supplemental Updates

In Order No. 14-054, where the Commission extended the due date to February 11, 2015, for Cascade's 2014 IRP, there was a requirement for Cascade to file a 2011 IRP Supplemental Update by June 20, 2014. That IRP Supplemental Update was to present the analytical results related to securing additional Ruby capacity. The 2011 IRP Supplemental Update (First Supplemental Update), filed June 20, 2014, contained no Action Items for acknowledgement and also no conclusion related to securing additional Ruby capacity. Instead, the First Supplemental Update identified the need for additional analysis, and offered to communicate the results of those analyses to parties as soon as practical (after the August GSOC meeting) either via email, communicated as part of the Quarterly meetings with Staff, at a subsequent IRP TAG meeting, or by filing a second 2011 IRP Supplemental Update.

Staff typically recommends, when an IRP update does not seek acknowledgement of Action Items that the IRP update not be brought to a public meeting. Instead, it should be filed in the docket. In the case of the First Supplemental Update, the situation was slightly different in that the specific content and timing was ordered by the Commission. Because the First Supplemental Update offered no conclusion related to Ruby, Staff asked Cascade, Citizens' Utility Board of Oregon (CUB), and Northwest Industrial Gas Users (NWIGU) for suggestions on how to proceed. No suggestions were received, so Staff advised Cascade to file a second 2011 IRP Supplemental Update.

Cascade filed its second 2011 IRP Supplemental Update (Second Supplemental Update) on February 5, 2015. In relevant part, the Second Supplemental Update presents the following:

The April 16, 2012, 2011 IRP replacement filing shows in the bar chart on page 45 that the central Oregon shortfall in 2016-2017 is about 12,500 Dth/day, and about 17,000 Dth/day in 2020. The August 13, 2013, 2011 IRP Update discusses on page 3 that Cascade has secured an additional 10,000 Dth/day seasonal capacity on Ruby. The February 5, 2015, 2011 IRP Supplemental Update presents on page 7 that 5,000 Dth/day of Ruby capacity was secured in November 2014. This means Cascade has secured an additional 15,000 Dth/day

² The forecast methodology improvement is on-going, with the first step completed to support the 2014 IRP.

for central Oregon since the April 16, 2012, forecasted shortfall of 12,500 Dth/day in 2016-2017. This additional 15,000 Dth/day in capacity will resolve the central Oregon shortfall at least until 2016-2017, when a proposed storage and transportation alternative analysis is scheduled for completion.

The Second Supplemental Update seeks acknowledgement of the following two Action Items:

1. Acquiring 5,000 Dth/day of additional Ruby capacity (actually acquired Nov. 1, 2014).
2. Investigating and analyzing storage and transport alternatives to resolve the central Oregon shortfall, targeting completion late 2016-early 2017.

Compliance with Commission IRP Guidelines

With Cascade's filing of the Update, the First Supplemental Update, and the Second Supplemental Update, Cascade is in compliance with the Commission's IRP Guidelines.

Action Item Discussion

In Staff's review of the Second Supplemental Update, two considerations affecting the proposed Action Items were identified:

- Second Supplemental Update Action Item 1 has already been completed (action taken November 2014). Under these circumstances, the Commission may or may not be willing to acknowledge the completed Action Item.³
- Cascade's 2014 IRP is due for filing May 29, 2015. The 2014 IRP Action Plan will need to include Second Supplemental Update Action Item 2, because that Action Item calls for completion of additional resource investigation/analysis by late 2016-early 2017.

³ The Commission indicated in Order No. 14-252, in Docket No. LC 57, that "... energy utilities that desire acknowledgment of an investment decision should request acknowledgment before the investment decision is made and before the required project is substantially completed... We will review these situations on a case-by-case basis to determine whether or not the project has progressed past a resource planning decision and into a project that is substantially complete."

Other than the considerations presented above, Staff's review did not identify specific concerns or deficiencies with the Update, First Supplemental Update, or Second Supplemental Update.

Parties' Positions

CUB

CUB agrees⁴ with Staff's position and recommendation below.

NWIGU

NWIGU agrees⁵ with Staff's position and recommendation below.

Cascade's Position

Cascade initially was seeking acknowledgement of the two Action Items presented above. However, after discussing the considerations Staff identified in its review of the Second Supplemental Update, Cascade is in agreement with Staff's position and recommendation below.

Staff Position and Recommendation

Staff recommends that the Commission not to acknowledge the Second Supplemental Update Action Items, for the following reasons.

- Second Supplemental Update Action Item 1 has already been completed (action taken November 2014). Under these circumstances, the Commission may or may not be willing to acknowledge the completed Action Item.
- Cascade's 2014 IRP is due for filing May 29, 2015. The 2014 IRP Action Plan will need to include Second Supplemental Update Action Item 2, since that Action Item calls for completion of additional resource investigation/analysis by late 2016-early 2017.

⁴ Per April 1, 2015 email correspondence with Staff.

⁵ Per April 7, 2015 email correspondence with Staff.

Staff recommends that Cascade's Second Supplemental Update Action Items not be acknowledged, considering that:

- **Second Supplemental Update Action Item 1 has already been completed (action taken November 2014).**
- **Cascade's 2014 IRP is due for filing May 29, 2015. The 2014 IRP Action Plan will need to include Second Supplemental Update Action Item 2, since that Action Item calls for completion of additional resource investigation/analysis by late 2016-early 2017.**

Other Issues

Process

Staff typically recommends, when an IRP update seeks acknowledgement of Action Items, a "comment and reply" process for party involvement. Staff, CUB, and NWIGU questioned whether proceeding with the typical "comment and reply" process for this IRP update was appropriate, considering that:

- Second Supplemental Update Action Item 1 has already been completed (action taken November 2014). The Commission may be willing to acknowledge the completed Action Item, or it may decide not to acknowledge the Action Item.
- Cascade's 2014 IRP is due for filing May 29, 2015. The 2014 IRP Action Plan will need to include Second Supplemental Update Action Item 2, since that Action Item calls for completion of additional resource investigation/analysis by late 2016-early 2017.

Staff, CUB, NWIGU, and Cascade discussed the following alternative IRP update processing paths:

1. Proceed with the typical "comment and reply" process in advance of a public meeting for Commission acknowledgement.
2. Attempt an abbreviated "comment and reply" process in advance of a public meeting for Commission acknowledgement.

3. Seek agreement with Cascade to withdraw the requested acknowledgement of Action Items and have an information-only reporting to the Commission of the update.
4. Proceed without “comment and reply” and recommend the Commission not acknowledge the Second Supplemental Update Action Items, for the above considerations.

These four alternative IRP update processing paths are available at the Commission’s discretion. In addition, the Commission may, at its discretion, acknowledge the Second Supplemental Update Action Items. Staff, CUB, NWIGU, and Cascade are in agreement that the Second Supplemental Update be handled without a “comment and reply” process and with a recommendation to the Commission to not acknowledge the Second Supplemental Update Action Items.

Staff recommends the Second Supplemental Update be handled without a “comment and reply” process.

PROPOSED COMMISSION MOTION:

For the reasons set forth in Staff’s Report, Cascade’s Second 2011 IRP Supplemental Update Action Items not be acknowledged.