

November 13, 2020

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street SE, Suite 100
Post Office Box 1088
Salem, OR 97308-1088

RE: UM 1893 - Investigation Into the Methodology and Process for Developing Avoided Costs Used in Energy Efficiency Cost-Effectiveness Tests

Northwest Natural Gas Company, dba NW Natural (Company), files herewith comments regarding the blended avoided costs proposed by the Energy Trust of Oregon as presented in a meeting on November 10, 2020.

The NW Natural team has reviewed the latest draft presentation of the blended avoided costs proposed by Energy Trust and appreciate the opportunity to submit comments and suggestions in response to the workshop.

During the workshop there were four requests asked by Commission Staff:

- Are any of these numbers inconsistent with the data submitted?
- Does anything stand out that Staff should investigate?
- Are there alternate numbers that Staff should consider?
- Are there other requested topics for 2021?

These comments summarize several topics and address these questions directly. Given the short timeframe, NW Natural recognizes that some of these comments may need to be requested as topics for investigation for 2021.

Peak Day and Peak Hour Factors

As NW Natural pointed out during the workshop, the peak day factors are inconsistent with what NW Natural provided in the 2018 IRP. The table indicates that NW Natural is the source for residential space heating (2.1%) and commercial space heating (1.8%), but it appears that these values are remnants from the 2016 IRP and were updated in the 2018 IRP. We request that Energy Trust use the updated factors.

NW Natural would also ask staff and Energy Trust to investigate the peak hour factors, specifically for residential and commercial space heating, and consider if the electric analogs are appropriate for direct application. Given the dynamics of the gas system, the peak hour load would occur during the peak day. The peak hour factors for space heating are currently inconsistent with the peak day factors being less than 1/24th of the peak day factors. Another estimate or application of these analogs could be more appropriate.

NW Natural estimated peak hour factors for our service territory. In absence of specific gas utility peak factors, NW Natural recommends using the peak hour factors for space heating measures found in the 2018 IRP for calculating avoided cost.

Distribution Capacity Costs

NW Natural's avoided distribution capacity cost is calculated by estimating the incremental infrastructure costs of serving growing peak hour load. This is done by using historical expenditures for distribution system reinforcement projects. These are expenses that could be avoided through a reduction in peak hour load. A more detailed description of the calculation can be found on page 4.7 of NW Natural's 2018 IRP.

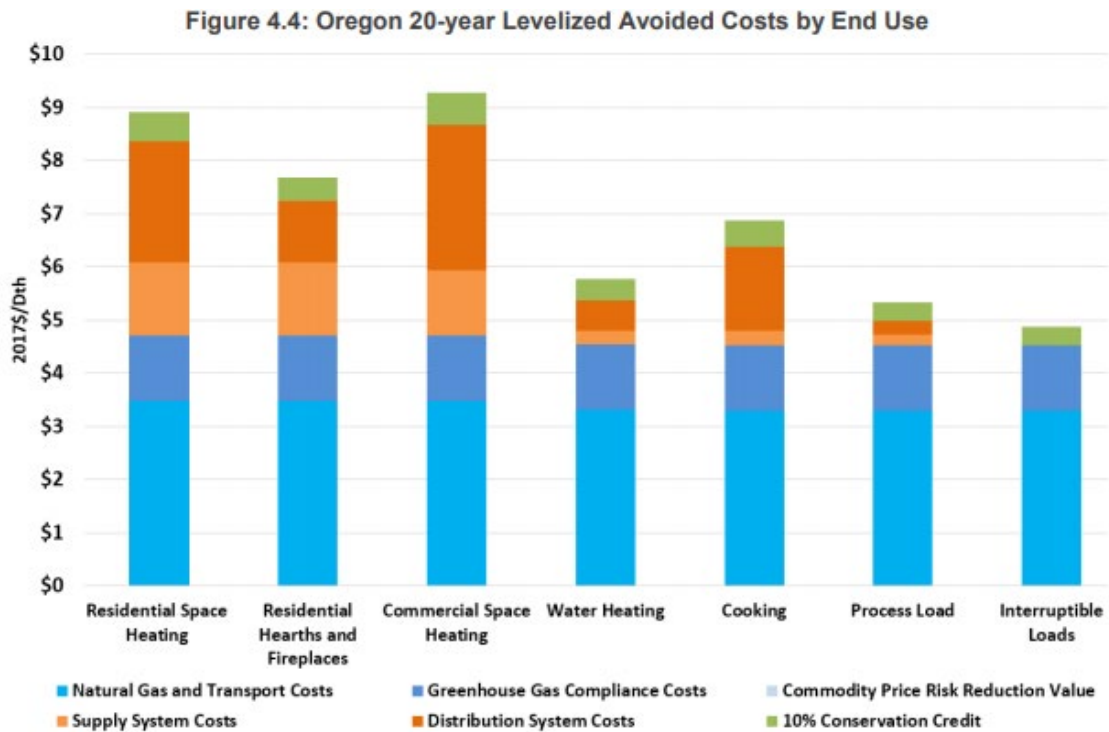
The magnitude difference between the NW Natural's avoided distribution capacity costs and the other gas utilities would suggest that NW Natural spends almost 100 times more per peak hour therm on system reinforcement projects than Avista and almost 200 times more per peak hour therm than Cascade. This degree of difference is unlikely and indicates that there is either a potential error in the calculation or an inconsistency in methodology for measuring avoided distribution system costs.

NW Natural will work with Energy Trust and Commission Staff to investigate this difference.

Presenting Avoided Costs by End-use

Looking at a year-over-year percentage change for each avoided cost component is helpful, however, it can be misleading. For example, since the hedge value is currently zero, any increase will show as an infinite percentage change, yet as a total value this increase to overall avoided costs would likely be a small value.

To help understand the year-over-year changes in avoided costs, NW Natural recommends showing the total avoided costs by end-use. Looking at total avoided costs in \$/therm by end-use would help give the full picture combining both the peak factors and different components of avoided costs. This would help stakeholders understand which component have the biggest influence in the benefit-cost ratio. A graph from the 2018 IRP illustrates an example for showing the full benefits by end-use. Using a similar format, a year-over-year comparison would be helpful for understanding the total change in the benefits from avoided cost.



Blending Avoided Costs

NW Natural would like to comment on the blending process used for avoided costs. From our understanding, the purpose of blending avoided costs is to be able to apply a single value for state-wide cost-effectiveness screening. NW Natural supports using a single value statewide, however; it would be helpful for NW Natural to understand the total avoided costs specific to NW Natural by end-use. Blending each component of avoided costs obscures the utility specific avoided costs.

NW Natural recommends calculating end-use avoided costs by utility first and blending the total value. We believe that this process should result in the same avoided costs, but may help increase transparency for stakeholders to see utility specific avoided costs.

Alternative Numbers for Consideration

NW Natural would support using the alternative values submitted for the GHG Compliance costs which reflect the social cost of carbon. We believe that this would be appropriate to use the social cost of carbon starting this year to align with the objectives of executive order EO-04.

NW Natural appreciates the opportunity to provide comments in this docket.

Please address any correspondence on this matter to me with copies to the following:

eFiling
Rates and Regulatory Affairs
NW Natural
250 Taylor Street
Portland, Oregon 97204
Telephone: (503) 610-7330
eFiling@nwnatural.com

Sincerely,

/s/ Rebecca T. Brown

Rebecca T. Brown
Regulatory Consultant
503-610-7326