

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
LC 59**

In the Matter of)
)
CASCADE NATURAL GAS)
CORPORATION)
)
2014 Integrated Resource Plan)
_____)

OPENING COMMENTS OF THE
CITIZENS' UTILITY BOARD OF OREGON

September 23, 2015



**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 59

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I. Introduction

1 The Citizens' Utility Board of Oregon (CUB) writes its Opening Comments in response
2 to Cascade's (the Company) 2014 Integrated Resource Plan (IRP) filed on July 20, 2015.
3 CUB found a number of elements in Cascade's IRP to be problematic. One of the primary
4 issues with the IRP is that Cascade has not reached a definitive conclusion about how it will
5 meet its load projections, it has not selected a resource portfolio, which violates the IRP
6 guidelines, and the Company seems to have omitted specific acknowledgment of any new
7 projects. In addition, there are a number of investments listed in the IRP that contain little to
8 no description of what they are, or any history about the necessity of these projects.¹ While
9 the Company did work with stakeholders to develop its IRP as required by statute, CUB feels
10 that overall, the Company has presented an IRP that has failed to adequately plan for both
11 future and fast-approaching load.
12

¹ LC 59 – Cascade 2014 IRP, p. 31.

1 **II. No Clarity on Meeting Load or Acknowledgment**

2 In Cascade’s Action Plan, the Company lists twelve items, but these only describe research
3 and further “exploration.”² While CUB understands that there might not be a need for new
4 resources, this directly contradicts the Company’s statement on page 5 of its IRP:

5 Although some upstream pipeline gate stations indicate potential shortfalls, in
6 aggregate, through 2014, Cascade has sufficient upstream pipeline capacity.
7 However, as we move past the 2015-2016 winter heating season, primarily as a result
8 of Cascade’s growth in its residential and commercial customer base, Cascade’s
9 capacity will fall short of its design peak day demand forecast. As a result, Cascade is
10 entering a period where it will need to acquire additional resources to meet the
11 growing needs of these core customers.

12 The 2015-2016 winter heating season is nearly here, so it is of great concern to CUB that the
13 Company still appears to be scrambling to acquire resources for its customers. The Company
14 filed for multiple IRP extensions³ and thus filed the IRP far later than the original due date.
15 Nevertheless, CUB expects the IRP to be reflective of a forecast, and not as an update or a
16 “planning for the present” document. Instead of treating the IRP as a document for future
17 resources, much of the text is in present tense and as demonstrated above, implies that Cascade
18 still has not made a concrete decision about meeting load. A late filing does not excuse the
19 Company from adequately planning to meet load in less than two years, which is the Company’s
20 planning time horizon. Indeed, instead of planning for the present (or giving a recap of the past),
21 all its analysis should have been updated to accommodate future load.

22 On page 8 of the IRP, the Company stated the following:

23 While the modeling seems to indicate Ryckman Creek storage as a desired resource to
24 acquire, we continue to have concerns about the facility’s ability to be reliable resource
25 for our service territory. Consequently, the acquisition of additional traditional pipeline
26 capacity seems to represent the most reasonable resource to address most of our capacity
27 shortfalls on a peak day.

² LC 59 – Cascade 2014 IRP, p. 166.

³ LC 59 – Cascade 2014 IRP. See <http://edocs.puc.state.or.us/efdocs/HAA/lc59haa134923.pdf> and
<http://edocs.puc.state.or.us/efdocs/HAO/lc59hao16483.pdf>.

1 The Company is unclear about what resource it plans to use to meet its capacity shortfalls.
2 The Company states that SENDOUT consistently picked the Ryckman Creek portfolio as the
3 least-cost scenario,⁴ but as stated above on page 8, the Company is claiming that it cannot rely on
4 Ryckman Creek storage because it is not reliable. Furthermore, Cascade states above that
5 traditional pipeline capacity only “seems to represent” the most reasonable resource for meeting
6 load. This language indicates that the Company is uncertain about how it will meet its capacity
7 shortfalls in the near future.

8 The Company fails to commit to a portfolio in the IRP, and in particular the Action Plan.
9 Since the IRP was filed late, Cascade is already operating within the timeframe that it is planning
10 for, and CUB is concerned that the Company has not adequately planned to meet its capacity
11 shortfalls past (or potentially within) the 2015-2016 heating season. Indeed, the Company even
12 states the following:

13 The plan does not commit Cascade to the acquisition of a specific resource type or
14 facility, nor does it preclude the Company from pursuing a particular resource or
15 technology. Rather, the plan identifies key factors related to resource decisions and
16 provides a method for evaluating resources in terms of their cost and risk.⁵

17 This is highly problematic for several reasons, which CUB describes below.

18 **1)** According to Oregon IRP guidelines, one of the substantive requirements of an IRP is
19 to select a portfolio:

20 The primary goal must be *the selection of a portfolio of resources* with the best
21 combination of expected costs and associated risks and uncertainties for the utility and
22 its customers [emphasis CUB’s].⁶

⁴ LC 59 – Cascade 2014 IRP. p. 45.

⁵ LC 59 – Cascade IRP, p. 9.

⁶ See Order No. 07-047, Appendix A, guideline 1c.

1 The guidelines go on to explain what is expected of the Company in its analysis for achieving
2 this goal. Interestingly, Cascade presented a list of the IRP guidelines in Appendix Volume I,
3 Page 455 of its IRP. About this guideline, the Company provided an “explanation” of its
4 interpretation of what this guideline means, stating, “Explanation: This IRP contains the
5 Company’s long-range analysis of load and resources spanning a 20-year horizon.” Cascade has
6 ignored that the guidelines call for selection of a portfolio, and CUB feels that the Company is
7 attempting to redefine what the IRP guideline entails so that it can avoid having to select a
8 portfolio.

9 **2)** As mentioned above, Cascade seems to be struggling with finding adequate resources
10 to meet its peak load projections, and it is already operating within the original planning horizon
11 (i.e., 2014 has already come and gone). It is unclear what the Company’s intentions are when it
12 fails to commit to a portfolio.

13 CUB is confused as to the exact shortfall number that the Company is projecting in 2015.
14 On page 44 of the IRP, the Company repeats *old* shortfall projections from the 2011 IRP, which
15 was estimated to be 6,900 dths/day and climbing to 30,600 dths/day by year 2031.⁷ However, in
16 a workshop on September 22, 2015, the Company revealed that they were estimating a shortfall
17 of 10,000-15,000 dths/day.⁸ No date for this was specified. Given that the 2011 shortfall
18 projections were not explicitly updated in the 2014 IRP, and given that the Company is expecting
19 yearly increases in load growth,⁹ it is unclear when the Company is expecting this shortfall. In
20 reviewing previous IRP updates, CUB was able to piece together that the Company plans to meet
21 2015 peak shortfalls primarily through acquiring Ruby pipeline capacity—the Company states in

⁷ LC 59 – Cascade 2014 IRP, p. 44.

⁸ Cascade Natural Gas 2014 Integrated Resource Plan Overview Retrieved from
http://oregonpuc.granicus.com/MetaViewer.php?view_id=1&clip_id=30&meta_id=1451.

⁹ LC 59 – Cascade 2014 IRP, p. 7.

1 an August 13, 2015 Update that it acquired 10,000 dths/day of Ruby capacity,¹⁰ and in an update
2 only recently filed earlier this year, it was finally able to secure an additional 5,000 dths/day.¹¹
3 This, however, is never explicitly stated by the Company in the IRP, and only seems to be
4 confirmed through a Staff memo filed in April.¹²

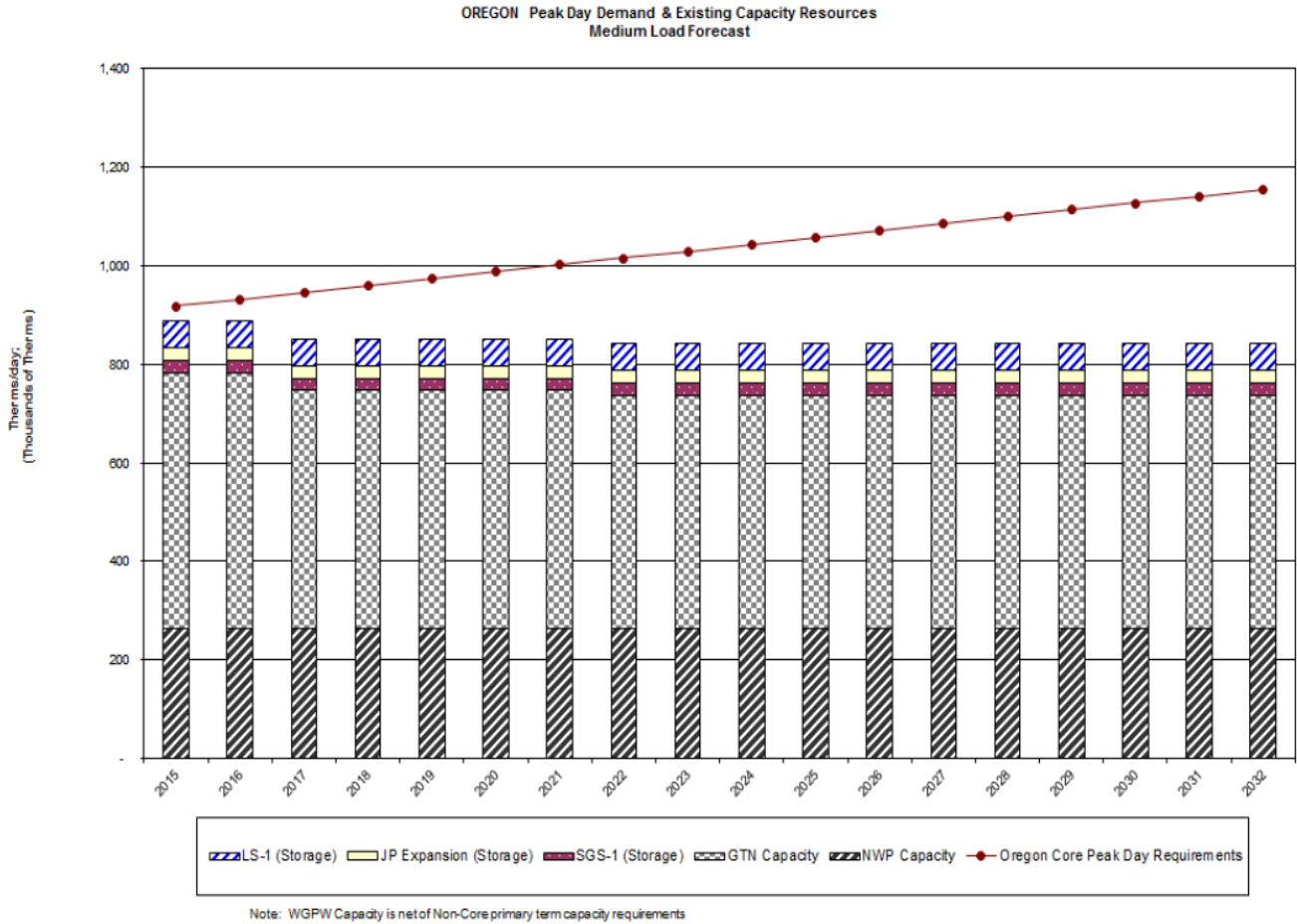
5 There is further confusion when the Company goes on to say on page 45 of the 2014 IRP
6 that because of the incremental Ruby capacity, “as of today the remaining peak day shortfall
7 identified in the 2011 IRP has now been reduced to 15,600 dths/day in year 2031.” However, the
8 Company does not give an updated number of the expected shortfall that is supposed to happen
9 this year (if any), or in 2016, or 2017—the problematic time frame that the Company mentions
10 on page 5 of the 2014 IRP. In fact, the Company presents a graph that demonstrates a projected
11 shortfall that starts in 2015:¹³

¹⁰ LC 54 - Cascade Natural Gas Corporation's 2011 Integrated Resource Plan Update. Retrieved from <http://edocs.puc.state.or.us/efdocs/HAH/lc54hah115159.pdf>.

¹¹ LC 54 - 2nd Cascade Natural Gas Corporation Supplemental Update to the 2011 Integrated Resource. Retrieved from <http://edocs.puc.state.or.us/efdocs/HAH/lc54hah14631.pdf>.

¹² CASCADE NATURAL GAS: (Docket No. LC 54) Recommendations Regarding Cascade's 2011 Integrated Resource Plan Update and Supplemental Updates. Retrieved from <http://edocs.puc.state.or.us/efdocs/HAU/lc54hau142915.pdf>.

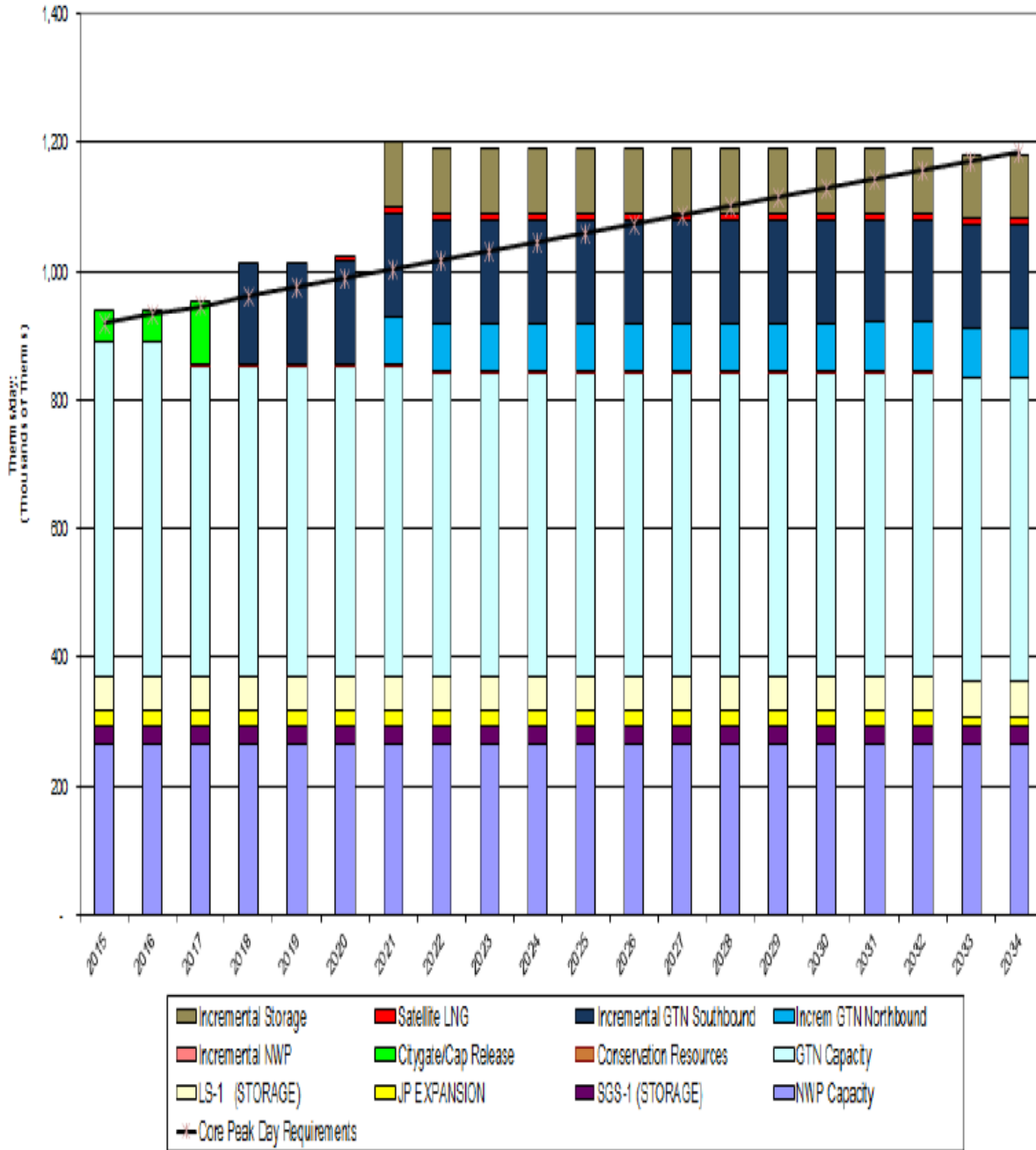
¹³ LC 59 – Cascade 2014 IRP, p. 156.



1 Eyeballing the graph seems to demonstrate that there is a shortfall of about 20,000-
 2 25,000 therms, or 2,000-2,500 dths/day. This number is never explicitly stated in the IRP, so it is
 3 unclear whether this is additional shortfall after accounting for the 15,000 dths of Ruby capacity.
 4 As mentioned earlier, the Company does not commit to a specific portfolio. Instead, the
 5 Company provides a second graphic:¹⁴

¹⁴ LC 59 – Cascade 2014 IRP, p.158.

Peak Day Demand & Capacity Resource Comparison Medium Load Forecast - Oregon



1 The block in green is the new resource capacity. From this picture, and from page 8 of the IRP, it
2 appears that the Company is planning to meet peak shortfall through capacity releases,¹⁵ so CUB
3 is left guessing about whether this represents incremental Ruby capacity or whether the
4 Company is going to wait until peak days hit to purchase additional gas. Given that this is peak
5 demand, CUB anticipates the cost of gas to be higher than on non-peak days, and that it might be
6 more difficult to secure supply because other utilities may seek to purchase gas at the same time.
7 In addition, the graphics above depict a medium-load forecast scenario. This will pose additional
8 problems if Oregon has a winter like it did in 2013.

9 **3)** The point of an integrated resource plan is to plan for some future time horizon and
10 integrate resources well enough ahead of time, with demonstrated ability to meet load. If the
11 Company fails to commit to a portfolio, the Company has failed to plan.

12 CUB is not the only party who noticed that the IRP failed to include specifics about how it
13 intends to meet load. Staff asked a data request asking the Company to resubmit an Action Plan
14 with specifics about how it intends to acquire resources.¹⁶ As of this filing, the Company has not
15 yet responded to Staff’s data request to provide a new Action Plan. Staff has also asked a data
16 request regarding the capacity shortfall.¹⁷ This was an issue Cascade raised in the 2011 IRP
17 Update, where it asked for acknowledgment for incremental capacity via the Ruby pipeline.¹⁸

18 One additional point that Cascade seems to have overlooked in its consideration of
19 resources is that the Washington Expansion still appears in its IRP as a potential (though small)
20 resource. The Company states, “NWP anticipates holding an Open Season in early 2013, with

¹⁵ Pg. 8 of the IRP names “acquisition of additional traditional pipeline capacity” as “the most reasonable resource.”

¹⁶ See Attachment A.

¹⁷ See Attachment A.

¹⁸ LC 54 - 2nd Cascade Natural Gas Corporation Supplemental Update to the 2011 Integrated Resource. Retrieved from <http://edocs.puc.state.or.us/efdocs/HAH/lc54hah14631.pdf>.

1 service expected in 2016.”¹⁹ This is confusing because 2013 has already passed. Does the
2 Company mean to say that NWP already held its Open Season? In addition, CUB notes that
3 LNG projects have historically been controversial, and the Oregon LNG project has not come to
4 fruition. Contrary to Cascade’s IRP,²⁰ an Oregon LNG source states that it anticipates
5 construction, not service, in Q4 of 2016,²¹ but even this is dubious because Clatsop County
6 denied Oregon LNG’s application to build a pipeline.²² CUB recommends that Cascade
7 reconsider its resource mix that relies on future LNG.

8 **III. Distribution Projects**

9 On page 442 of Appendix II, Cascade lists a number of Oregon projects:

- 10 +Mains
- 11 +General Reinforcement
- 12 +General relocation/reinforcement
- 13 +General Gate Station Upgrade or Reg Station Replacement
- 14 +Services
- 15 +Large Volume Meter Sets

16 These projects have an estimated total loaded cost of over \$12 million dollars.²³ The
17 Company claims that its system load projections are expected to increase 1-1.2% a year,²⁴ so it is
18 unclear to what degree these projects are for maintenance, and which of these are necessary due
19 to the projected load growth. The Company does not provide much detail as to the nature of
20 these projects, nor does it provide notes for all of them. CUB understands that distribution

¹⁹ LC 59 – Cascade 2014 IRP, p. 42.

²⁰ *Ibid.*

²¹ See <http://www.oregonlng.com/>.

²² See http://www.dailyastorian.com/Local_News/20150429/state-land-use-board-upholds-clatsop-county-ruling-on-oregon-lng.

²³ LC 59 – Cascade 2014 IRP, Appendix II, p. 442.

²⁴ LC 59 – Cascade 2014 IRP, p. 7.

1 projects are not usually considered resources, but if the Company is expanding due to projected
2 load growth, it is unclear from the Action Plan that the Company intends to invest in any
3 resources because of load growth. This is especially problematic if the 24% Oregon growth by
4 2031 comes to fruition.

5 **IV. Conclusion**

6 IRPs are documents that are used to inform the prudence of utility investments. These are
7 important dockets that have serious implications for ratepayers. The Company has not
8 selected a resource portfolio, and aside from a single graph in the IRP, it is unclear how the
9 Company intends to meet peak demand (at medium projections) in the upcoming winter
10 season. CUB is disappointed in Cascade. The Company applied for multiple extensions
11 because of various changes it made in its IRP, and as a result the IRP was filed late and
12 without substantive updates.

13 The IRP also seems to plan for the “past” since the text of the IRP repeatedly referred to
14 events that have already happened or are soon to occur, like the 2015-2016 winter season.
15 The Company has not specifically asked for acknowledgment of a particular project, so CUB
16 cannot explicitly recommend that the Commission not acknowledge any part of the Action
17 Plan.

18 Nevertheless, CUB can recommend that Commission require Cascade to make
19 clarifications to the IRP in an update, resubmit an Action Plan, and give the Company a
20 deadline as to when that update must be filed. In addition, CUB recommends that the
21 Commission require Cascade to conduct additional workshops in the future to ensure that

- 1 Cascade gives the IRP the priority it requires, files on time, and presents an IRP with
- 2 demonstrated ability to meet demand.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nadine Hanhan', with a long horizontal stroke extending to the right.

Nadine Hanhan
Utility Analyst
Citizens' Utility Board of Oregon
610 SW Broadway, Suite 400
Portland, OR 97205
(503) 227-1984, x11
nadine@oregoncub.org



Oregon

Kate Brown, Governor

Public Utility Commission

201 High Street SE Suite 100

Salem, OR 97301

Mailing Address: PO Box 1088

Salem, OR 97308-1088

Consumer Services

1-800-522-2404

Local: (503) 378-6600

Administrative Services

(503) 373-7394

September 4, 2015

MICHAEL PARVINEN
 CASCADE NATURAL GAS
 8113 W GRANDRIDGE BLVD
 KENNEWICK WA 99336
Michael.parvinen@cngc.com

MARK SELLERS-VAUGHN
 CASCADE NATURAL GAS
 8113 W GRANDRIDGE BLVD
 KENNEWICK WA 99336
mark.sellers-vaughn@cngc.com

RE:	<u>Docket No.</u>	<u>Information Request Nos.</u>	<u>Response Due By</u>
	LC 59	IR 8-24	September 18, 2015

Please provide responses to the following request for information. Contact the undersigned as early as possible, but no later than the response due date noted above if the request is unclear or if you need more time.

Related to the IRP body:

8. Page 39 first full paragraph. TF-2 pipeline transportation service is discussed as being firm from the Plymouth LNG facility. Please confirm that the service is firm and provide the related service agreement documenting firmness.
9. Page 39 second full paragraph. The term "coincidental demand basis" is mentioned. Please describe what that term means, how the demand is calculated, and note whether it represents the worst case for demand.
10. Page 40. The mid-page table is missing headings. Please provide a replacement table with headings.
11. Page 40 last paragraph, discusses the Wenatchee lateral. Please describe the Wenatchee lateral (the project itself, why the project is needed, the analysis showing LNG may be the least-cost solution, timing of the project, how it is addressed in the Action Plan, etc) and note if it is included in Table 4-1.
12. Page 47 last partial sentence, mentions Appendix E containing the detailed 20-year gas price forecast. Please provide, in graph form, the 20-year gas price forecast use for the IRP.

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13. Page 50 first partial paragraph. The phrase “warmer than normal core needs” is used. Please provide a description of this phrase, how the “warmer than normal core needs” are calculated, why “warmer than normal core needs” is the selected basis for physical gas supply purchase guidelines, and the “warmer than normal core needs” by year for the 20-year planning period.
14. Page 50 last partial paragraph, notes a “programmed” gas purchasing approach. Please provide a detailed description of the programmed gas purchasing approach, including how the approach was selected as the best for customers.
15. Page 136 Scenarios and Simulations, discusses the difference between deterministic analysis and stochastic analysis. Please identify which “simulation” (stochastic) input variables are simultaneously allowed to randomly vary.
16. Pages 138-141 Table 7-1, presents the 12 scenarios run through deterministic analysis. Please provide a similar table for the simulations run through stochastic analysis.
17. Pages 147- 154 Table 7-4, presents the summary results of the 12 scenarios run through deterministic analysis. Please provide a similar table for the simulations run through stochastic analysis and the five sensitivity scenarios run through deterministic analysis.
18. Page 147 first bullet. Please describe the scenario, simulation and sensitivity results separately and then how the three modeling activities combine to identify the preferred portfolio of resources.
19. Page 154 last partial paragraph. Please identify where, specifically, on the Northwest Pipeline system peak loads will be met with incremental peak-day delivery, and why.
20. Page 163 first full paragraph, notes that Section 6 discusses environmental externalities. Section 6 is Demand Side Resources. Staff did not find a discussion of environmental externalities, other than noting environmental externality sensitivity scenarios in Table 7-2 on page 142. Please provide a thorough discussion of environmental externalities, and a correct reference to it on page 163.
21. Page 164 Table 7-5, presents NPV and average cost per therm results for 10 portfolio analyses. The paragraph introducing Table 7-5 notes the table contains

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results for each (all) of the scenarios. The table contains only the Expected (basecase) from among the 12 scenarios run through deterministic analysis. The table also contains results from sensitivity scenarios and summary results from simulations run through stochastic analysis. Please expand the table and accompanying discussion to present all the analysis results and how the modeling results combine to identify the preferred portfolio of resources.

22. Page 166 first full paragraph, refers to Appendix I as the source for a review of progress toward accomplishing the 2010 Action Plan. Staff did not find Appendix I among the appendices filed. Please provide.
23. Pages 166-167 are intended to present the 2014 Action Plan. Staff notes that, excepting Action Items 1 and 9, all other items listed are business-as-usual. Per IRP Guideline 3n, the action plan should present specific, numbered, named, actions the utility will take over the next 2-4 year period to acquire the identified resources. The action plan should not include actions that are business-as-usual utility activities. The action plan items should be specific and measurable. Please provide a revised Action Plan with Action Items meeting Guideline 3n.
24. Pages 166-167 are intended to present the 2014 Action Plan do not include Action Item 2 from the Second Supplemental Update in LC54 - 2. Investigating and analyzing storage and transport alternatives to resolve the central Oregon shortfall, targeting completion late 2016-early 2017. Please include the missing Action Item in your response to IR 23 above.

Non-confidential responses should be sent via electronic mail to puc.datarequests@state.or.us.

Confidential information should not be sent via electronic mail. Instead, please file an original and one copy, or a CD containing the confidential response if it is voluminous. Paper copies of confidential responses must be on Yellow Paper and clearly marked "Confidential." CDs must be clearly marked "Confidential."

Please send your confidential responses to the attention of Kay Barnes, PO Box 1088, Salem, OR 97308-1088 and send a redacted version via electronic mail to (puc.datarequests@state.or.us).

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One complete copy of the confidential response needs to be filed to the attention of counsel for PUC Staff Stephanie Andrus, Department of Justice, 1162 Court St NE, Salem, OR 97301-4096; **and** electronically at (Stephanie.andrus@state.or.us).

/s/ Erik Colville
Senior Utility Analyst
Energy Resources and Planning Division
(503) 378-6360
E-mail: erik.colville@state.or.us

Staff initiator: Erik Colville

cc: Service List: LC 59 (electronic only)