



Oregon Citizens' Utility Board

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via electronic filing

February 14, 2024

Public Utility Commission
Attn: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

RE: LC 83 In the Matter of CASCADE NATURAL GAS CORPORATION'S 2023 Integrated Resource Plan. Oregon Citizens' Utility Board Comments on Staff's Final Comments.

I. Introduction

After reviewing the Public Utility Commission of Oregon (Commission) Staff's (Staff) Final Comments, the Oregon Citizens' Utility Board (CUB) would like to applaud Staff for their diligent work and thoughtful recommendations to the Commission as it considers whether to acknowledge Cascade Natural Gas Corporation's (Cascade or the Company) 2023 Natural Gas Integrated Resource Plan (IRP). Given CUB and Staff's alignment on key issues, and CUB's support of Staff's recommendations generally, our final comments are brief. The analysis and positions stated in CUB's Opening Comments haven't changed substantively and, rather than reiterate our prior comments in the same level of detail, CUB incorporates them here by reference.

II. Long-Term Plan

CUB appreciates Staff's analysis of Cascade's renewable natural gas (RNG) and hydrogen modeling throughout this proceeding. CUB agrees that Cascade's modeling practices "made the modeling of these alternative supply-side resources too optimistic,"¹ and, regarding RNG in particular which carries immediate implications, the errors are "too significant... to retain confidence in Cascade's capacity expansion modeling."²

As CUB articulated in our Opening Comments, Cascade's drastically optimistic alternative supply-side resource modeling carries several ramifications. It understates upcoming costs to consumers of these fuels, undercuts other resources options, such as efficiency measures and

¹ LC 83- Staff Final Comments at 4.

² *Id.*

electrification, and presents an unrealistic future that enables gas distribution system growth as usual for the gas company.

Another point to consider is that by comparison, energy efficiency measures such as building weatherization likely carry less risk of becoming stranded assets relative to investments in uncertain decarbonized fuels. Building weatherization can reduce fuel needs and carbon emission regardless of whether consumers choose to electrify in a decarbonizing market. This suggests unreasonably favoring alternative fuels relative to energy efficiency options is especially risky to customers and that it is imperative to address this in anticipation of future gas IRPs.

CUB appreciates Staff's and Climate Advocates' examination of Cascade's demand-side resource modeling and agrees with Staff that demand-side options were considered too narrowly. CUB supports Staff recommendation that in future IRPs Cascade should model all demand-side measures endogenously in PLEXOS, and CUB supports Climate Advocates recommendation that Cascade should "[p]roactively analyze building electrification as a resource."³ CUB recommends further consideration of how electrification can be modeled fairly in gas IRP planning, such that the inherent interest of gas utilities to favor gas options does not continue to undermine resource planning.

In light of CUB's substantial concerns over Cascade's resource modeling, CUB joins staff in recommending the Commission not acknowledge the Company's long-term IRP plan.

III. Action Plan

CUB appreciates Staff's diligent work discerning which action plan items are appropriate for IRP approval and agrees with Staff's recommendation to only acknowledge CCIs and energy efficiency measures.

Regarding the ruling on *N.W. Natural Gas Co. v. Environ. Quality Comm.*,⁴ with EO 20-04 in place directing the Oregon Department of Environmental Quality (DEQ) to set up a cap and reduce program, and our knowledge of how the DEQ would design such a program, we are operating by the assumption that the Climate Protection Program (CPP) is the best model of what an emissions reductions program will look like. Thus, barring revelations indicating otherwise, our analysis and recommendations regarding CCIs, and at a higher level, ensuring the Company maximizes the most economic resource options, hold. CUB believes the Commission and all affected stakeholders should continue to plan like the CPP remains in place, especially since DEQ has been clear that they wish to move expeditiously to re-establish the CPP.⁵

³ LC 83- Climate Advocates, Opening Comments, October 5, 2023, at 13.

⁴ See *N.W. Natural Gas Co. v. Environ. Quality Comm*, Case No. A178216 (Dec 20, 2023) available at <https://cdm17027.contentdm.oclc.org/digital/collection/p17027coll5/id/35371/rec/1>.

⁵ DEQ moves to re-establish the Climate Protection Program in wake of recent court ruling (Jan. 22, 2024) available at <https://www.oregon.gov/newsroom/pages/newsdetail.aspx?newsid=215174>.

IV. Line Extension Allowances

CUB agrees with Staff’s position that “Cascade’s line extension policy is outdated, does not reflect incremental GHG emission reduction compliance costs associated with providing new gas service, and should be updated.”⁶ During CUB’s investigation of Avista’s LEA in UG 461, CUB noticed that Cascade’s LEA policy was structured similar to Avista’s, which CUB found failed to balance the interests of existing and new customers.⁷ Therefore, Cascade’s LEA is likely structurally flawed too. However, to understand the extent and ramifications of this issue and the impetus for change will require an investigation through a general rate case, which CUB expects to undertake at the next opportunity.

Furthermore, as Staff notes, Cascade’s LEA does not integrate the emissions reductions costs associated with new customers. This too was a central focus of CUB’s UG 461 investigation, and we intend to raise this concern in Cascade’s next general rate case should the issue remain unaddressed.

While CUB is focused on examining Cascade’s LEA in a general rate case, CUB applauds Staff for raising this issue here in Cascade’s IRP. LEA policy bears significant implications for load growth, a central input for IRP planning. CUB expects that Cascade’s outdated LEA policy, and failure to account for imminent likely changes to it in this IRP, results in an overestimation of load growth.

Respectfully submitted,

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⁶ LC 83- Staff’s Final Comments at 3.

⁷ See UG 461, CUB’s Opening Testimony.