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Oregon Public Utility Commission
Attn: Filing Center
P.O. Box 1088
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Re: UM 2178 – Cascade Natural Gas Corporation Oregon Staff Natural Gas Fact Finding Report Comments

Cascade Natural Gas Corporation (Cascade or Company) submits the following comments to the Oregon Public Utility Commission (OPUC or Commission) on the draft Natural Gas Fact Finding (NGFF) report published April 15, 2022.

General comments:

Cascade appreciates the opportunity to provide comments to the UM 2178 Natural Gas Fact Finding Staff Draft Report. The Company believes the Staff report exceeds the intent of the docket which is to quantify the potential impacts on natural gas customers associated with the natural gas utilities achieving carbon compliance directives. The Company appreciates Staff's suggestions to planning changes, however, Cascade believes a docket to make these changes is required. The OPUC should also be fuel neutral, therefore any recommended changes to natural gas IRP Planning that would impact electric utilities, such as bill impacts, should be a requirement for electric companies as well. More specific comments on the sections of the report related to Planning, Programs and Ratemaking, with corresponding section references, can be found below:

Planning Related Comments:

- 5.1.1 Cascade will explore adding potential bill impact analyses in its 2023 IRP and agrees that this information could be valuable in expanding transparency and presenting the implications of compliance pathways. The Company hopes that these results would be interpreted in the same way that other elements of the IRP are reviewed, accounting for the significant level of uncertainty related to long-term planning, with a higher focus on short-term action items as a result of these analyses. In the electrification cases, Cascade believes electric utilities should also be required to produce bill impacts in their electrification scenarios.
- 5.1.2 Cascade appreciates the collaborative spirit proposed by Staff with regards to utilizing common assumptions with electric utilities within our service territory. The Company agrees that electric utilities should show the reciprocal impacts of decarbonization on their system. Cascade does caution that collaboration could be challenging, as the Company has

eight unique electric utilities in its Oregon service territory alone, and approximately fourteen electric utilities in its Washington territory, presumably with their own planning schedules and processes. These electric utilities include Investor-Owned Utilities, which are regulated by the Commission, as well Cooperative Electric Utilities, Peoples Utility Districts, and Municipal Electric Utilities.

- 5.2.1 Cascade does not fully understand the relative importance of providing maps of the Company's system overlaying depreciation data and including lists of infrastructure and associated depreciation schedules. The requirement is not possible today as the accounting systems for plant and depreciation are not conducive to the suggested approach. This analysis would therefore require substantial time and unplanned work to produce. Cascade needs a better understanding of this request before undertaking this project.
- 5.3 Cascade agrees that it is important that utilities develop and articulate their individual electrification assumptions in their IRPs. The Company is concerned that with the results presented in this report (Figure A9, in particular) Staff shows that there are disparate results in how each utility modeled the presented scenario, without fully explaining the differences in modeling assumptions from each utility's perspective. The guidance related to electrification, for example, is open to interpretation, and these different interpretations likely were significant drivers behind the divergent results.
- 5.3 Cascade agrees with Staff's approach to "work with electric utilities to include in either their August 2022 Phase 2 DSP filings or other future DSP filings, the cost elements, costing methodology, and estimated average distribution cost to electrify existing gas customers¹".
- 5.3 Cascade appreciates Staff's recommendation that the OPUC should contract with an independent third party to evaluate market data related to the cost and availability of low carbon technologies. Cascade recommends that any selection of a third-party consultant should be part of an open and transparent process that allows for utilities and other stakeholders to participate in that selection. The Company also expects the results of this third-party analysis will be made available for review, and that any third-party results would be presented as an informational resource for the utilities to consider in their planning efforts versus a prescriptive guideline for modeling inputs.
- 5.3 Cascade agrees that Climate Protection Program (CPP) compliance should be an acknowledgeable element of future IRPs. The Company expects that, as has been the case with past significant additions to the IRP, Staff evaluates the utility CPP compliance plans with an understanding that these will be evolving, iterative processes to be honed and refined over time.
- 5.3 Cascade suggests that any IRP guideline change should go through a separate docket that is specifically created to change the IRP guidelines.
- 5.4 Cascade questions Staff's assertion that "divergent forecasts of technology progress and the market availability of alternatives in the utilities' compliance strategies somewhat

¹ UM 2178 Staff Draft Report

perplexing and unhelpful overall given the market they share.” It is Cascade’s understanding that the underlying forecasts for a significant portion of each utilities’ modeling were consistent. To the extent there were differences, some of those may be explained by the significant variation between rural and urban markets, as well as differences in climate that would drive the viability of certain technologies between the eastern and western sides of the state. Further, the Company has conducted research on income levels across Cascade’s service area, which demonstrates we serve a more rural, lower-income population. Such differences must be taken into consideration when looking at the economic potential of building technologies and upgrades—particularly in the residential sector, although there may be impacts for small business owners as well.

- 5.5 Cascade is fine with encouraging use of SB 844 to advance piloting of new technologies.

Additional Comments:

- In Section 3.2.2 under Transport Customers, Cascade would like to have clarification that this excludes electric generation customers.
- Cascade would be interested in reviewing Staff’s econometric model for the elasticity of demand related to pricing. In general, price elasticity indicates that anything under an absolute value of 1 to be inelastic. Cascade also questions whether the demand elasticity relationship is evaluated relative to gas prices, customer bills, or utility rates. These terms appear to be used interchangeably, yet each has its own degree of regulatory lag and consumer exposure to the variable (i.e., residential customers will presumably be more reactive to their bills than to changes in NYMEX Henry Hub prices.)
- Cascade would also like to express that, in addition to the comments already made regarding differing results between the utilities, given the tight timeframe of this large NGFF undertaking, utilities did not have much time for processing various analytical requirements. Specifically defined assumptions can narrow the discrepancies and provide for more uniform impacts. Cascade suggests the assumption be a topic in itself in regards to the modifying the current IRP process.

Comments Related to Program Recommendations:

- 4.2 Cascade has discussed opportunities for expanded EE program outreach to accelerate future savings opportunities with Energy Trust of Oregon and will likely include scenarios to this effect in its IRP. Cascade is also planning on focusing more on the energy burdened customer base through updates to our low-income program offerings and potential partnerships to coordinate with the Energy Trust in addition to the standard Cascade Low-Income program offerings.
- 5.1.1 Cascade supports the use of new pilot programs and would encourage the development of a funding mechanism to support research and development efforts. The Company is currently funding an initial scoping study for a testing, rating and labeling program for new appliances certified to burn fuels with a mix of natural gas and hydrogen (study hosted through NEEA). Additionally, Cascade currently participates in natural gas

heat pump technology market transformation efforts through NEEA. There are more opportunities available to coordinate directly with GTI for emerging technology pilots if the Company has the support to spend the funds.

- 5.1.1 On the recommendation regarding ETO and Community action to expand programs, Cascade is looking to expand our Low Income and Energy Burdened program offerings. This will involve significant program adjustments in coordination with the Oregon PUC and the Community Action Partnership of Oregon (CAPO). Cascade will continue to work with our regulators and low-income agencies on the design of a revised program to reach more low-income gas households. Flexibility in program design, allocation of funds (rebates vs up-front payments), and allowed participants will help further strengthen the program and serve more vulnerable Oregonians in need.
- 5.1.1 Prioritizing modest conservation first, rather than losing the customer base rapidly would be the ideal option. This would allow those who are energy burdened to reduce usage without initial significant financial impact.
- 5.1.1 Cascade believes we need to find a way to provide energy efficiency (EE) programs for transport customers, paid for by those customers, since utilities will be held responsible for transport emissions through the CPP. However, Cascade doesn't believe it can "fold" the transport customers into Energy Trust's existing EE offerings. As a first step the Company could provide and/or support an alternative program offering an audit and partnership approach to energy efficiency programs for the transport customers through a third party implementor. This could be through Energy Trust or another contractor and a funding model would need to be established. Funding of such a program would need to be discussed and resolved at the outset of such a program.
- 5.5 Cascade agrees with the idea of adopting a compliance cost of carbon into energy efficiency avoided costs that reflects CPP risk. The Company believes it is important to match the avoided costs used for conservation with costs of alternatives to meet CPP requirements such as RNG, hydrogen, offsets, penalties, etc.
- 5.5 Cascade believes this could be a great opportunity to pursue innovative decarbonization solutions. It will be important that the definition of green hydrogen be made clear as rules are developed. Cascade recently toured hydrogen facilities in Denmark and is amenable to exploring hydrogen opportunities that the Commission supports. Joint partnerships could also be explored in the context of existing pilot efforts and partnerships through NEEA and GTI for new technologies.
- 5.5 Directing ETO to expand vendor training on electric and gas heat pump technology could be a great benefit to supporting a high-efficiency natural gas solution. An important effort in the market transformation that will allow for large scale adoption of both electric and gas heat pump technology is ensuring vendors are trained on the technology and that the equipment is in the vendor's inventory available for installation. Commercial gas heat pump

equipment is available in the marketplace, and residential equipment will be available in the near future. Ensuring uptake of this equipment will require the type of vendor training and outreach mentioned in this section.

Comments Related to Ratemaking Tools:

- 4.3 Cascade does not support changing customer contributions to line extensions at this time. Currently the contribution is based on the cost of the extension beyond the amount recovered from the incremental revenue from the new customers. Cascade is open to considering alternatives based on founding rate making principles of equity among all rate payers as well as cost causation principles.
- 4.3 Cascade does not support changing asset depreciation timelines with anticipated use over a decarbonization timeline. This becomes problematic for general accounting purposes and may potentially violate the matching principal. If anything, the Company is in favor of regulatory approval to accelerate depreciation expense, since the assumption implies these assets will face obsolescence in the near future and the Company will be faced with recovering fixed costs with a smaller customer base.
- 4.3 Cascade is open to various rate design mechanisms that promote positive outcomes if the designs are well thought out and avoid unintended consequences such as sacrificing safe reliable service or harming customers who may not have choices. Cascade understands this rationale is designed to encourage energy efficiency but would rather see customers make voluntary conservation decisions based on individual price signals and enrollment in conservation programs provided by the Company.
- 4.3 Cascade recently filed² a rate discount structure consistent with HB 2475 for customer classes based on energy burden and believes this is a reasonable approach to reduce such burden for eligible customers.
- 4.3 Cascade is open to considering alternative performance-based ratemaking that aligns customer rates with CPP targets. Cascade believes future rate making proceedings should be in line with time tested regulatory theory, centered on cost-based service models that allow the utility a reasonable opportunity to earn a return on the assets used to serve their customers. How the costs of CPP compliance and how such costs should be allocated among customer classes is a worthwhile conversation.
- 5.1.1 As stated previously Cascade has reservations with aligning capital investments with CPP targets, especially given the uncertainty of delivery fuels and investments needed to meet CPP targets (RNG production). Cascade is not relieved of its obligation to serve and to provide a safe reliable system.
- 5.1.2 Cascade is open to exploring rate spread and design issues for transport customers in general rate cases and other proceedings to help share the costs of CPP compliance.

² OPUC Docket ADV 1409

- 5.1.2 Cascade supports full stakeholder engagement in dockets considering RNG and related issues.
- 5.3 As stated previously Cascade is open to discussing approaches to equitably share the benefits, risks and costs associated with decarbonization requirements, including line extension programs.
- 5.4 Cascade is hesitant to support additional annual reporting requirements related to CPP compliance costs if such information will be otherwise provided in other dockets such as the IRP, purchased gas adjustments, etc. Large-scale annual reports come with their own time and resource costs which are difficult to estimate at this time. Cascade supports measures that streamline reporting requirements and reduce costs.
- Cascade is open to considering linking amortization of CPP costs from deferrals to actual CPP performance but would like to stress that the overall model of “Cap and Invest” is intended to send appropriate price signals to customers who thus make their own decisions regarding fuel usage and energy conservation.

If you have any questions regarding this information, please feel free to contact Michael Parvinen at (509) 528-9223 or myself at (208) 377-6015.

Sincerely,

/s/ Lori Blattner

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Attachments