



250 SW Taylor Street
Portland, OR 97204

503-226-4211
nwnatural.com

VIA ELECTRONIC FILING

December 1, 2020

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

**RE: LC 71—NW Natural’s 2018 Integrated Resource Plan (IRP)
Petition for Temporary Exemption from OAR 860-027-0400(3)**

Northwest Natural Gas, dba NW Natural, encloses for filing its petition for a temporary exemption from OAR 860-027-0400(3). The purpose of this temporary exemption is to change the filing date of its upcoming Integrated Resource Plan (IRP) from March 4, 2021, to July 2022.

If you have any questions, please contact Rebecca Brown at 503-610-7326.

Sincerely,

/s/ Natasha Siores

Natasha Siores
Manager, Regulatory Compliance
NW Natural
250 SW Taylor Street
Portland, OR 97204
503-610-7074
natasha.siores@nwnatural.com

Attachments:

cc: Bob Jenks, CUB
Chad Stokes, AWEC

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
LC 71**

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, DBA NW NATURAL,

2020 Integrated Resource Plan.

NW NATURAL GAS COMPANY

PETITION FOR TEMPORARY
EXEMPTION FROM OAR 860-027-
0400(3), INTEGRATED RESOURCE
PLAN FILING

I. INTRODUCTION

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), respectfully requests that the Commission allow it to change the filing date of its upcoming Integrated Resource Plan (IRP) from March 4, 2021 to on or before July 30, 2022. Under OAR 860-027-0400(3), NW Natural is required to submit an IRP within two years of its previous IRP acknowledgement order (in this case, by March 4, 2021). However, OAR 860-027-0400(1) provides that the Commission may relieve the Company of any obligation in OAR 860-027, including OAR 860-027-0400(3), for good cause shown. This petition describes why good cause exists for the Commission to allow the Company to move the filing date of its IRP to July 2022.

II. BACKGROUND

NW Natural is a natural gas utility subject to the jurisdiction of the Commission regarding rates and terms of natural gas service in Oregon. The Company's principal place of business is 250 SW Taylor Street, Portland, Oregon 97204. Communications regarding this petition should be addressed to:

1 NW Natural Rebecca Brown
2 eFiling for Regulatory Affairs Rates & Regulatory Affairs
3 250 SW Taylor Street 250 SW Taylor Street
4 Portland, Oregon 97204 Portland, Oregon 97204
5 Telephone: (503) 610-7330 Telephone: (503) 610-7326
6 Facsimile: (503) 220-2579 Facsimile: (503) 220-2579
7 Email: eFiling@nwnatural.com Email: rebecca.brown@nwnatural.com

8
9 Ryan Sigurdson
10 Rates & Regulatory Affairs
11 (OSB #201722)
12 250 SW Taylor Street
13 Portland, Oregon 97204
14 Telephone: (503) 610-7570
15 Facsimile: (503) 220-2579
16 Email: ryan.sigurdson@nwnatural.com

18 III. DISCUSSION

19 A. Uncertainty of LDC Integrated Resource Planning Due to EO 20-04

20 Executive Order 20-04 (EO 20-04)¹ directs a number of state agencies (including the
21 Commission, Oregon Department of Energy (ODOE), and the Oregon Department of
22 Environment Quality (DEQ)) to complete rulemakings and other processes related to
23 greenhouse gas emissions reductions over the course of 2021. While there is always some
24 uncertainty regarding long-term resource planning, NW Natural believes it is in the public
25 interest to extend the filing date to manage risks for our customers in the current environment
26 while balancing the resource demands of IRPs to the Commission, stakeholders, and the
27 Company.

28 NW Natural supports addressing the threat of climate change through cost-effective
29 strategies to reduce emissions. However, EO 20-04 rulemakings and other processes will
30 remain unsettled and unknown at a time when analyses for NW Natural’s IRP would need to

¹ Governor Kate Brown issued EO 20-04 on March 10, 2020. EO 20-04 directs state agencies to act to reduce and regulate greenhouse gas (GHG) emissions by at least 45 percent below 1990 levels by 2035 and by at least 80 percent below 1990 levels by 2050.

1 be underway to meet current filing deadline of March 4, 2021. This would have a significant
2 impact on the Company’s IRP. At its most basic level, the Company is certain that an IRP
3 action plan that can incorporate the decisions made in rulemakings and associated processes
4 of EO 20-04 will be far more reliable than an IRP action plan based on incomplete
5 information regarding ongoing EO 20-04 rulemakings and processes. Without knowing the
6 outcome of these rulemakings and processes, the Company would be making long-term
7 decisions based on incomplete information.

8 The EO 20-04 process with the greatest impact on NW Natural’s IRP is the “cap and
9 reduce” program that will be established by the DEQ.² DEQ has completed workshops to
10 scope the issues that will need to be resolved in rules before the formal rulemaking begins
11 over the next couple of months. These pre-rulemaking workshops have highlighted the wide
12 range of potential compliance obligations LDCs could have under the program. Most
13 importantly, the general structure of the cap and reduce program is currently unknown, and
14 as a result, employing the appropriate modeling tools to analyze potential programs would be
15 incredibly challenging. Additionally, the point of regulation, level of emissions reduction
16 required, and the types of instruments that will be allowed for compliance, which all are
17 components of program design that have to be known (or assumed) to construct a scenario
18 for analysis in an IRP, are still all unresolved for LDCs.

19 To highlight the scale of uncertainty this presents, it is helpful to consider two
20 possible outcomes for LDC compliance under cap and reduce: 1) a program for LDC sales
21 customers that requires a 20% reduction in emissions by 2035 where trading amongst
22 covered parties and offsets are allowed without limit, or 2) a program for LDC sales and

² Other processes that impact the Company’s IRP include the building codes and standards being developed by the Building Codes Division and ODOE, and the activities in the Commission’s own work plan.

1 transportation customers that requires a 50% reduction in emissions by 2035 and trading
2 amongst covered parties and offsets are not allowed for compliance. Under the former
3 potential cap and reduce program design, renewable natural gas (RNG) acquisition beyond
4 the targets in SB 98 (ORS 757.396) is unlikely to be needed, but an evaluation of different
5 options for offsets, an assessment of the offset market, and an assessment of the market
6 dynamics for trading with other covered parties in the program would be essential to
7 determining the course of action with the best combination of cost and risk. The latter
8 program design would likely require at least doubling the RNG target volumes under SB 98,
9 but would not require an evaluation of offset options and the market for trading with other
10 covered parties. Furthermore, load and energy efficiency forecasts could also be quite
11 different under these two potential programs. Finally, the above example does not
12 contemplate how cap and reduce compliance obligations will need to be evaluated along with
13 compliance with other EO 20-04 rules and guidelines that are currently unresolved but could
14 also have meaningful implications for integrated resource planning.

15 The respective action plan for each of these hypothetical cap-and-reduce programs
16 are quite different (and, of course, is also different from an action plan that would have been
17 filed had EO 20-04 never been issued). Due to the current uncertainty, actions taken under
18 the assumption that a certain program design would go forward would, in retrospect, not be
19 the best decision if another program design was the ultimate result. Given this, NW Natural
20 respectfully requests that the Commission allow it to start stakeholder technical workshops as
21 soon as possible after the resolution of the cap-and-reduce rulemaking at the end of 2021,
22 and, after conducting these workshops, file its IRP on or before July 30, 2022. This would
23 better align the timing of the EO 20-04 rulemakings with the Company's IRP process,

1 including the robust public process and stakeholder engagement that is invaluable to LDC
2 long-term planning.

3 **B. IRP Delay Proposal**

4 NW Natural has been in contact with Commission Staff and stakeholders as it has
5 canceled technical stakeholder workshops, called workshops Technical Working Groups
6 (TWGs), over the last few months to contemplate the appropriate steps forward to make the
7 integrated resource planning process as useful as possible for our customers and stakeholders
8 in light of EO 20-04. After careful consideration, NW Natural believes that filing its next
9 IRP on March 4, 2021 could result in duplicative proceedings and wasted time and effort.
10 The current filing timeline would mean that the 6-month post-filing discovery and comment
11 period would take place in the heart of many EO 20-04 processes, most notably DEQ's cap-
12 and-reduce rulemaking. As explained above, subsequent developments in this rulemaking
13 would likely render key assumptions made in March 2021 as part of its action plan inaccurate
14 or incomplete, complicating the prospects for action item acknowledgement. Before a
15 recommendation on acknowledgement could be made, this could lead to many stakeholders
16 understandably asking for new analysis due to these new developments.³ NW Natural may
17 also seek to withdraw its action plan if these developments are likely to materially impact the
18 action plan with the best combination of cost and risk for our customers.

19 EO 20-04 specifies that the cap-and-reduce program should begin in 2022,
20 immediately after rulemaking has concluded. Since stakeholder input is an invaluable part of

³ It is also of note that the modeling process employed by NW Natural for its IRPs are complex and not sufficiently nimble to be able to analyze all potential proposed treatments of LDCs under cap and reduce or other programs in a timely fashion to support EO 20-04 processes, nor are the models designed to provide the optimal outputs that would likely be most relevant to policy makers in rulemakings on compressed timeframes.

1 integrated resource planning, NW Natural wants to be able to present our proposed plan for
2 compliance with the program for 2022 and subsequent years to stakeholders as soon as
3 possible once program design is known. Therefore, NW Natural respectfully requests
4 delaying its upcoming IRP filing until the earliest possible date that the Company feels it
5 could practically incorporate cap and reduce program elements – July 2022. Realistically, it
6 is likely that even if NW Natural files an IRP in 2021, it would need to file a subsequent IRP
7 in summer 2022 to both receive feedback on its cap and reduce compliance plan and make
8 important decisions on facilities that are critical to maintaining reliable service for customers
9 in light of the new rules and guidelines. Given that IRPs are a resource-intensive process for
10 our stakeholders, the Commission, and the Company, NW Natural believes that this is not the
11 preferred path forward and would result in an inefficient use of resources.

12 Prior to filing its IRP in July 2022, NW Natural expects to kick off its stakeholder
13 involvement process with TWGs starting in January 2022. This is the earliest possible date
14 NW Natural believes it would be possible to analyze the Company’s compliance obligations
15 under the cap and reduce rules that will be finalized at the end of 2021. While a July 2022
16 IRP filing would result in a compressed pre-filing timeline of roughly six months (typically it
17 takes nine months from the first TWG until the IRP is formally filed), NW Natural believes it
18 is workable and would put the schedule for IRP acknowledgement at the beginning of 2023.
19 This compressed timeframe reduces the time between TWGs from approximately one month
20 to about three weeks and slightly reduces the timeframe for review of the draft IRP.

21 An important factor in NW Natural’s decision to seek a delay is that the customers’
22 incremental short-term resource needs can be met flexibly, affordably, and with minimal risk
23 by its ability to recall capacity from the Company’s Mist storage facility. This short-term

1 flexibility can afford the Company a brief delay of analyses related to more significant and
2 longer-term resource decisions while EO 20-04 proceedings run their course. Furthermore,
3 NW Natural’s engineering team has developed a plan to delay decisions on facilities that may
4 be necessary for long-term expected capacity needs while minimizing reliability risks.

5 Lastly, NW Natural understands the importance of stakeholder engagement and
6 continued public process related to the Company’s integrated resource planning. As such,
7 NW Natural commits to filing an update to its 2018 IRP with the Commission by March 1,
8 2021 that involves more public process and includes more analysis than is typical for IRP
9 updates. The update will inform the Company’s stakeholders of key activities it has
10 undertaken since the IRP was acknowledged last year and the activities the Company intends
11 to undertake before its next full IRP in 2022, including seeking acknowledgment of projects
12 with limited scope. The actions for which NW Natural plans to seek acknowledgement are
13 relatively low risk because they are relatively low cost and are not highly dependent upon
14 long-term load projections or the supply resource options that might be impacted by future
15 compliance with rules and guidelines related to EO 20-04.

16 The proposed IRP update will also include items that are not typically included an
17 update filing, such as: 1) an updated long-term base case load forecast, 2) a thorough update
18 on the RNG market and potential RNG resources, and 3) an update to avoided costs. To
19 ensure that there is sufficient opportunity for stakeholder engagement on these items, the
20 Company will hold a detailed TWG at the end of January or beginning of February 2021 on
21 what the IRP update should contain, and to present the analysis that supports the items for
22 which we will seek acknowledgement. The Company is willing to submit a draft of the IRP
23 update for stakeholder review in advance of an official update filing if desired.

1 While NW Natural does not view seeking acknowledgement in IRP updates as a
2 preferred option under normal circumstances, it is in the public interest to do so in order to
3 manage risks for our customers in the current environment while balancing the resource
4 demands of IRPs to the Commission, stakeholders, and the Company.

5 IV. CONCLUSION

6 NW Natural respectfully requests that the Commission issue an order allowing for
7 a temporary exemption from OAR 860-027-0400(3), and authorizing the Company to file its
8 next full IRP in July 2022. For the reasons provided above, good cause exists to grant this
9 exemption.

10 Respectfully submitted this 1st day of December, 2020.

NW NATURAL

/s/ Ryan Sigurdson

NW NATURAL
Ryan Sigurdson
Regulatory Attorney (OSB# 201772)
250 SW Taylor Street
Portland, OR 97204
(503) 610-7570
ryan.sigurdson@nwnatural.com