

ORDER NO. 21-013

ENTERED Jan 13 2021

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 71

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

2018 Integrated Resource Plan

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 12, 2021, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Nolan Moser
Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

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Applicable Rule(s)

Under ORS 756.040, the Commission is authorized to supervise and regulate every Oregon public utility, and to do all things necessary and convenient in the exercise of such power and jurisdiction.

Under OAR 860-027-0400(3) an energy utility must file an IRP within two years of its previous IRP acknowledgement order or as otherwise directed by the Commission.

OAR 860-027-0400(1) provides that the Commission may relieve a utility of any obligation in OAR 860-027-0400, including OAR 860-027-0400(3), upon application by the utility and for good cause.

Analysis

Background

NW Natural's most recent IRP, LC 71, concluded with an acknowledgment decision at the February 26, 2019, Public Meeting and was memorialized several days later in Commission Order No. 19-073. The 2018 IRP's multi-year action plan contained two supply-side action items, six distribution system planning projects, and one demand-side action item.¹ The Commission order acknowledging this final, revised action plan also adopted fifteen Staff recommendations designed to improve the Company's analysis for the next IRP. NW Natural's last IRP acknowledgement order was issued on March 4, 2019, thus it is required to submit an IRP by March 4, 2021.

NW Natural filed IRP updates on April 17, 2019, and on November 7, 2019.

In the nearly two years following the conclusion of LC 71 several, significant events occurred with the potential to impact all gas utilities' future IRP filings:

Date	Event
June 19, 2019	SB 98 signed into law
May 10, 2020	Governor Kate Brown issues EO 20-04
July 16, 2020	RNG rulemaking (AR 632) completed

¹ See LC 71, NWN 2018 IRP, Order No. 19-073, March 4, 2019, pages 23 and 24.

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August 19, 2020	Oregon Department of Environmental Quality's (DEQ) launches six Climate Protection Program (CPP) technical workshops in response to EO 20-04 to develop Cap-and-Reduce system for GHG from natural gas.
September 9, 2020	PUC issues draft EO 20-04 work plan
November 5, 2020	Investigation into RNG cost-effectiveness methodology (UM 2030) completed
December 14, 2020	Final PUC EO 20-04 work plan issued

On December 1, 2020, NW Natural filed a request for a partial exemption from OAR 860-027-0400(3), allowing the Company to file the IRP on or before July 30, 2022. In the request, NW Natural also offers to file an IRP update by March 1, 2021. The Company plans to seek acknowledgement of the proposed IRP update as it includes some projects of, "...limited scope."²

IRP Filing Date Request: NW Natural's Rationale

In its request, NW Natural puts forth several arguments as to why good cause exists for delaying its 2021 IRP filing. These arguments are summarized below:

1. A more reliable and accurate IRP and associated action plan can be developed by July 2022, due to greater clarity into the DEQ's CPP and other EO 20-04 activities.
2. The Company can postpone the discussion and acknowledgement of significant, long-term resource and capacity decisions until July 2022 without any impacts on reliability.
3. An acknowledged 2021 IRP update can provide necessary insights into regulatory activities and "relatively low risk," projects.³
4. Postponing the IRP allows for the alignment of timing across several, interrelated processes reducing the potential for duplicative work and/or overburdening stakeholders.

Staff's Responses to NW Natural's Rationale

IRP filings are comprehensive, complex, and have grown to serve a myriad of important purposes. Since 2007, IRPs have been explicitly tasked with considering the risk and uncertainty associated with the regulation of greenhouse gas emissions.⁴ Further, the

² *Ibid*, page 8.

³ *Ibid*.

⁴ See UM 1056, Order No. 07-047, February 9, 2007, page 2.

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IRPs must be consistent with the long-run public interest as expressed by Oregon energy policy.⁵

Staff agrees with NW Natural regarding the timing of its next IRP and the planning benefits to postponing it. Several EO 20-04 GHG regulation activities are either being launched or are under development at various state agencies. Beyond energy policy work at the PUC under EO 20-04, the DEQ's CPP to reduce GHG emissions is an important development. The launching of NW Natural's IRP process in early 2021 has the potential to result in an action plan several months later that will almost certainly be out-of-date as soon as it is acknowledged. Staff agrees that gas utilities will need to better understand some elements of the CPP prior to embarking on the types of analysis that will be needed in their IRPs. Such an alignment should result in more durable IRP results and the potential for less wasted stakeholder time. We find this to be a good cause for an extension.

Staff would also note two other activities in 2021 that could be used to help understand the impacts of EO 20-04 on utility planning, regardless of the delayed NW Natural IRP filing. They are:

1. The CPP draft rules should be released for public comment in the summer of 2021.⁶ This timing allows for NW Natural 2022 IRP process to potentially conduct select preliminary analysis and share those results in 2021 while building up to their 2022 IRP.
2. Staff believes full participation by NW Natural in the EO 20-04 fact finding report in 2021 will provide important analysis of decarbonization impacts on rate payers.

Staff also agrees with NW Natural that an IRP update can provide meaningful insights and actionable intelligence to stakeholders. The Company's proposal to include in its IRP update such things as market trends, compliance activities overview, new avoided costs, and "low risk" projects mirrors work done by Portland General Electric in its past acknowledged IRP Updates.⁷ Staff finds that NW Natural's willingness to make its IRP update more comprehensive a positive development and Staff is supportive of the Company's overall approach.

⁵ *Ibid*, page 3.

⁶ See DEQ GHG Emissions Program 2021, Proposed Rulemaking, <https://www.oregon.gov/deq/Regulations/rulemaking/Pages/rghgcr2021.aspx>, the next round of Advisory Committee meetings end June 17, 2021. The end of these meetings do not guarantee that any draft rules will be released. However, as a potential mid-point to the goal of CPP rules being completed by DEQ staff and presented to the Environmental Quality Commission by December 31, 2021, there could be indications of CPP scope and directionality by the summer or fall of 2021.

⁷ As an example, see PGE LC 66, Acknowledged Action Plan Update, May 1, 2018, Order No. 18-145.

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Finally, the Company's waiver request included an assurance that, "...significant and longer-term resource decisions..." could be safely delayed until the filing of its next IRP sometime in July 2022. This is an important component to the reasonableness of NW Natural's waiver request. However, what delineates between resource decisions that are "significant" and "low risk" should be clarified in the IRP Update.

Staff's Response to NW Natural's Proposal for a March 1, 2021 IRP Update Filing
The proposal to file an IRP Update by March 1, 2021, is appreciated by Staff and releasing a draft as soon as practicable would be helpful. Staff believes that in addition to all of the analysis and elements detailed in the Company's partial waiver request some additions to the scope of the IRP update are warranted.

First, Staff is uncertain as to how NW Natural differentiates between "limited scope" projects, that will be included in the IRP update, and "more significant and longer-term resource decisions," that will be delayed until the proposed 2022 IRP. Staff notes that LC 71's final action plan included distribution investments across five reinforcement projects that have a potential cost to ratepayers as much as \$59 million.⁸

The proposed IRP update needs to include clear metrics that distinguish between "limited scope" and "significant" projects. These metrics should include, but not be limited to, purpose, need, and individual and aggregate costs. Further, the Commission's EO 20-04 fact-finding into ratepayer impacts from decarbonization is a signal that the nature of risk associated with long-term investments may be evolving at the Commission and the analysis of the IRP update's proposed projects should be cognizant of that reality.

Next, the scope of the IRP update should provide information on all acknowledged Action Plan items and Staff Recommendations from Order No. 19-037.

Also, the IRP update should explore with stakeholders which of the elements from Section 1.1 of the Commission's EO 20-04 work plan could be included time permitting.⁹ Staff has yet to finalize the GHG reduction, IRP analysis elements to include in future gas and electric IRPs. However, it would be worthwhile to explore the inclusion of select GHG related analysis as part of NW Natural's proposed LC 71 IRP update at the proposed working group meetings. These types of analysis could include, but are not limited to:

- Updating emissions trajectories and carbon intensity per customer.

⁸ See LC 71, NWN 2018 IRP, Order No. 19-073, March 4, 2019, pages 23 and 24.

⁹ See Oregon Public Utility Commission Executive Order 20-04 Work Plan, December 14, 2020.

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- Introducing known marginal abatement cost curve (MACC) information.

Finally, DEQ plans to release a draft of the CPP rules in the summer of 2021. This release could be upwards of four- to six- months before the currently planned rule completion goal of December 2021. This draft presents an opportunity to NW Natural and stakeholders. The Company can develop and share IRP-level analysis that benefits the 2022 IRP and could also help inform the discussion around the draft CPP rules. Staff requests that Commission direct NW Natural to launch its 2022 IRP Technical Working Group meetings upon DEQ's release of draft CPP rules so the Company can begin to discuss potential IRP analysis for stakeholder review and input.

Conclusion

The Commission should grant NW Natural a 16 month extension on filing the Company's next IRP. The next IRP must be filed no later than July 29, 2022. Further extensions should not be granted. NW Natural's IRP update to LC 71 should include Staff's recommended additions. Finally, the Commission should direct NW Natural to launch its 2022 IRP Technical Working Groups upon the release of CPP draft rules from DEQ, so the Company can begin to discuss and explore IRP implications and receive stakeholder review and input.

PROPOSED COMMISSION MOTION(s):

Grant an exemption for Northwest Natural Gas Company from OAR 860-027-0400(3) allowing a 16 month extension (July 29, 2022) to the Company's March 2021 IRP Filing deadline. And, direct NW Natural to launch its 2022 IRP Technical Working Group meetings upon DEQ's filing of draft CPP rules so as to begin the IRP stakeholder input process on this element and explore any associated work.

LC 71 Extension to Filing