



Bob Ferguson

ATTORNEY GENERAL OF WASHINGTON

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February 14, 2019

SENT VIA UTC WEB PORTAL & ABC LMI

Mark L. Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: *Cascade Natural Gas Corp., 2018 Natural Gas Integrated Resource Plan,*
Docket UG-171186, Public Counsel Comments

Dear Mr. Johnson:

Public Counsel respectfully submits comments in response to the Commission’s Notice of Opportunity to File Comments on Cascade Natural Gas Company’s (Cascade) 2018 Integrated Resource Plan (IRP), issued on January 11, 2019. Stakeholders convened several times to discuss Cascade’s approach to modeling and the resulting resource needs, and Public Counsel appreciated the opportunity to participate and the Company’s willingness to answer questions and consider recommendations.

Public Counsel also recognized Cascade’s efforts to enhance and improve their approach to IRP modeling. In particular, Cascade improved its conservation modeling as the result of conducting a new conservation potential assessment and modifying its program model, at the request of stakeholders and the Commission. As a result, the Company will be better positioned to achieve their conservation targets in this IRP cycle and meet their overall resource needs in the long term.

Public Counsel’s comments are limited in scope and focus on the use of the Social Cost of Carbon as Cascade’s primary estimate for environmental costs.

I. APPROPRIATE MEASURES OF ENVIRONMENTAL COSTS

Public Counsel’s Recommendation

The Company should model environmental effect, costs, and risks, including externalities, as proscribed in WAC 480-90-238. Numerous approaches to estimating environmental costs exist, and Cascade’s IRP should not “choose” or favor one particular estimate without explicit direction from the Washington Legislature.

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In responding to Washington electric utilities' 2017 IRPs, the Commission indicated that utilities "must consider both known regulatory costs and risk of future costs" related to carbon emissions.¹ Furthermore, IRPs are required to consider the "cost of risks associated with environmental effects including emissions of carbon dioxide."² Although this directive did not apply to Washington natural gas utilities, Cascade determined that they should consider these costs in their 2018 IRP as a proactive measure.

Cascade uses the Social Cost of Carbon as the "main carbon adder in its IRP," while also including three other sensitivities. This results in nearly all model runs including the Social Cost of Carbon as the CO₂ adder save for only three model runs, which instead included sensitivities for Washington SB 6203, I-1631, or the U.S. House of Representatives Market Choice Bill. Washington State Initiative 1631 failed on the November 2018 ballot and the Washington Legislature is considering a wider variety of energy- and emissions-centric bills in the 2019 session.

While Public Counsel supports considering regulatory and externalized costs of carbon emissions in Washington's IRP process, there are several methods available to measure these costs. Some of these methods include the federal Social Cost of Carbon, abatement, mitigation, and others. Without a broader stakeholder conversation about modeling carbon costs and clear direction from the Washington Legislature, it is premature for utilities to select one particular estimate.

Until there is clear direction on the carbon cost estimate, Public Counsel recommends including a variety of carbon costs in IRP modeling, including Social Cost of Carbon. Utilities should model these costs as "sensitivities" or "scenarios," rather than selecting one to use in the "base case" or as an "assumption." Again, Public Counsel believes it is appropriate to consider externalized carbon emission costs in IRP modeling, but utilities should model a variety of measures until there is a legislative directive.

¹ *Puget Sound Energy's 2017 Electric and Natural Gas Integrated Resource Plan*, Dockets UE-160918 & UG-160919, Commission Acknowledgement Letter Attachment at 11 (May 7, 2018).

² WAC 480-100-238(2)(b).

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II. CONCLUSION

Public Counsel recognizes the timing of the IRP cycle, and that it is not reasonable or practical for Cascade to completely revise their 2018 IRP. Rather, we recommend that the Commission provide electric and natural gas utilities with clear direction to include the Social Cost of Carbon as one of many sensitivities to estimate the externalized cost of carbon emissions.

Sincerely,



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