



August 13th, 2021

Mr. Mark Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Received
Records Management
08/13/21 15:25
State Of WASH.
UTIL. AND TRANSP.
COMMISSION

Re: Relating to the Commission’s examination of energy decarbonization impacts and pathways for electric and gas utilities to meet state emissions targets, Docket U-210553

Dear Mr. Mark Johnson,

NW Energy Coalition, Climate Solutions, and the Natural Resources Defense Council (NRDC) appreciate the opportunity to provide comments on Docket U-210553, relating to the Commission’s examination of energy decarbonization impacts and pathways for electric and gas utilities to meet state emissions targets. In the 2021-2023 biennium budget, the state legislature appropriated funding to the Utilities and Transportation Commission (“Commission”) to “examine feasible and practical pathways for investor-owned electric and natural gas utilities to contribute their share to greenhouse gas emissions reductions as described in RCW 70A.45.020, and the impacts of energy decarbonization on residential and commercial customers and the electrical and natural gas utilities that serve them.”

The need to address emissions from gas utilities and the buildings they serve is critical in order to significantly reduce climate pollution to achieve our legislative mandates and to protect people and livelihoods. Emissions from the gas sector are growing at a faster rate than any other sector, which threatens Washington’s ability to achieve these statutory emissions reduction limits and limit climate impacts in the state. Further, as we continue to build out the gas system and increase Washington’s reliance on fossil gas, we put customers at risk for investing in stranded assets. This examination can and should lead to regulatory changes and legislative policy recommendations that will protect customers and put utilities on the pathway to achieving necessary greenhouse gas emission reductions. In response to the Commission’s notice of opportunity to file comments, we submit the following recommendations as the Commission finalizes its work plan. We also emphasize the broad authority the Commission has to include other considerations as needed in developing this work plan and the resulting recommendations.

A. *The Commission should consider recent state policies that are being enacted in the examination.*

The Commission’s examination of decarbonization strategies should consider state policies that have been enacted in Washington State. Most central, the recent passage of the Climate Commitment Act (“CCA”) underlines the necessity that gas utilities not just analyze how to reduce emissions, but that they actually begin taking action now to reduce their share of emissions to 45% below 1990 levels by 2030 and 95% below 1990 levels by 2050. Failure to do so would risk significant costs and impacts to ratepayers. Achieving the economic caps detailed in the CCA will require extensive efforts and coordination across multiple sectors, and the mandate that gas utilities actually achieve these emissions reductions should be a key consideration in the examination before the Commission.

B. *The Commission should make regulatory changes to facilitate decarbonization requirements and make other needed policy recommendations to the legislature.*

Washington’s 2021 State Energy Strategy analyzed various pathways for how the state could meet its climate reduction targets, concluding, “...[T]he state’s long-term greenhouse gas emissions limits cannot be achieved while continuing current uses of [natural gas]... A well-planned transition, with clear legislative and regulatory direction, is required to protect the interests of all concerned.” This Commission examination is the first step in that well-planned transition, and part of the legislative direction is for the Commission to “identify and consider... potential regulatory policy changes...”.

The Commission has broad authority over gas companies under state law, and over time, has tailored its regulation to evolving markets and changing policy landscape. We expect the examination will provide critical information to implement regulatory changes to facilitate achieving the state’s greenhouse gas requirements, while at the same time ensuring customers are protected and that highly impacted communities benefit from the transition. Based on multiple analyses to date¹, the transition will rely heavily on end-use electrification, and it would be imprudent to continue regulatory practices that incentivize the expansion of our gas system. Regulatory changes will be necessary to protect customers from investing in assets that will become stranded due to the unnecessary continued expansion of gas infrastructure. In line with our first comment regarding the passage of the CCA, we encourage the Commission to not only identify and consider regulatory changes, but to move forward swiftly with implementing changes to regulatory frameworks that will ensure utilities are not continuing to expand our reliance on fossil fuels, and instead prioritize decarbonizing their system in the most cost-effective and equitable way. This examination should also assess the recovery criteria needed to ensure safety and maintenance of the existing distribution infrastructure.

¹ E.g., https://www.governor.wa.gov/sites/default/files/Deep_Decarbonization_Pathways_Analysis_for_Washington_State.pdf; <https://www.commerce.wa.gov/growing-the-economy/energy/2021-state-energy-strategy/>

In order to effectuate a cost-effective, equitable transition to meet Washington’s greenhouse gas emissions limits, it is critical that utilities begin planning for the transition now. In the examination, the Commission should seek opportunities to better integrate gas and electric utility systems as a whole, rather than viewed as two separate systems. More holistically integrating gas and electric IRPs would facilitate comparing the cost-effectiveness of electrification programs versus other decarbonization strategies to reduce greenhouse gases and ensure customers are protected. Further, this investigation should also examine the scale, economics, and best use of renewable gas and hydrogen resources for direct customer use.

Additionally, we recommend that this investigation make legislative policy recommendations that can further facilitate greenhouse gas emission reductions. By funding this examination, the legislature intended to better understand the opportunities and impacts of decarbonizing the gas system, and the needed policy changes for an orderly and cost-effective transition.

- C. *Third party consultants should be well respected with deep expertise, and Washington should learn from other states with similar proceedings.*

Any third-party research vendors should be well-respected with deep expertise in these issues and provide objective analysis. While the consultant may provide insight into best practices, regulatory changes, and policies to achieve pathways, the Commission should take the lead in developing regulatory changes and making legislative policy recommendations.

The Commission should hold a workshop in the near-term to hear lessons learned from other states that have or have had “Future of Gas” dockets and investigations – for example, New York, Massachusetts, and California. In addition, we recommend that the Commission monitor the Oregon Public Utilities Commission’s Natural Gas Fact-Finding docket (UM 2178), which three of the Washington gas companies are also participating in. A significant amount of work has been done in other states to answer similar questions posed in the examination, and the Commission can benefit from that expertise.

- D. *The examination should center equity in the process and considerations.*

As the Commission looks at the different pathways for meeting our decarbonization mandates and transitioning to a clean built environment, equity and access to the benefits of decarbonization should be a primary principle. In line with other Commission goals and efforts to bring in more diverse voices and have more inclusive and equitable proceedings, the Commission should provide venues and opportunities for community groups and frontline organizations to both learn about this proceeding and to provide critical input on the best outcomes for such a proceeding. The Commission should learn from communities on what direct support and resources are most needed in order to meaningfully participate, and should

consider authorizing intervenor funding for this docket. Issues of affordability and consumer choice should be informed by input from actual customers.

In addition, the Commission should consider provisions in other laws that help ensure highly impacted communities benefit from the transition to clean energy. For example, Washington's 2019 Clean Energy Transformation Act clarified that the public interest includes, but is not limited to: The equitable distribution of energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks; and energy security and resiliency. As the Commission undergoes this examination, these public interest principles should also be applied to gas utility decarbonization plans, programs, and investments. Another law that the Commission should consider is 2021's Healthy Environment for All (HEAL) Act, and whether any provisions in that law will affect this proceeding.

E. The examination should be a transparent and inclusive process.

We appreciate the Commissioners' acknowledgement at the August workshop on the need for transparency. Throughout the investigation, we recommend that the Commission set clear expectations for staff, consultants, and utilities to maximize data transparency in order to instill confidence in the results of this investigation. For example, all data requested should be publicly available in the docket in a format that allows for data analysis. As possible, utilities should use common formats and staff or consultants should consolidate common information for ease of use. Stakeholders should also have access to the assumptions that go into any modeling and analysis.

F. The examination should analyze various pathways for utilities to achieve their proportionate share of emissions reductions.

One question at hand is what is the utilities' "proportionate share" of the state's greenhouse gas emission reduction targets. To help facilitate future policy decisions, the examination should include at least two pathways that assess potential necessary emission reductions in the gas sector to achieve 95% emissions reductions economy wide. One scenario should analyze pathways for gas utilities to achieve 95% greenhouse gas emission reductions by 2050 compared to 1990 levels, and another should align with the results of the 2021 State Energy Strategy, which assumes that the electric system will take on a higher proportionate share of the emissions reductions.

G. References relevant to the examination

There is a myriad of resources available nationally and in other states specific to gas utility decarbonization planning and related issues. We have listed a few of these regulatory specific

reports here that could be useful to the Commission. As we come across other resources that could be valuable, we will send them to the appropriate Commission staff.

- “Aligning Gas Regulation and Climate Goals”, EDF (2021): <http://blogs.edf.org/energyexchange/files/2021/01/Aligning-Gas-Regulation-and-Climate-Goals.pdf>
- “Under Pressure: Gas Utility Regulation for a Time of Transition”, Regulatory Assistance Project (2020): <https://www.raponline.org/knowledge-center/under-pressure-gas-utility-regulation-for-a-time-of-transition/>
- “Gas Resource and Infrastructure Planning for California”, Gridworks (2021): https://gridworks.org/wp-content/uploads/2021/01/CA_Gas_Resource_Infrastructure_Plan_Report_FINAL.pdf
- “California's Gas System in Transition”, Gridworks (2019): https://gridworks.org/wp-content/uploads/2019/09/GW_Calif-Gas-System-report-1.pdf
- “California's Building Transition: Recommendations for Gas Transition Regulatory Proceedings at the CPUC”, Building Decarbonization Coalition (2020): https://www.buildingdecarb.org/uploads/3/0/7/3/30734489/recommendations_for_gas_transition_regulatory_proceedings_at_the_cpuc.pdf
- “Comments in NY Case 20-G-0131: Gas Planning Procedures”, Renewable Heat Now (2020): <https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={BOCA1935-42FC-40CD-B766-B0C7C6621E9F}>

In addition, in line with our recommendation that the Commission center equity in the development of recommendations, a recent report could be useful for identifying best practices for outreach: “Equity and Buildings: A Practical Framework for Local Government Decision Makers”, Urban Sustainability Directors Network, (2021): https://www.usdn.org/uploads/cms/documents/usdn_equity_and_buildings_framework_-_june_2021.pdf

We look forward to engaging in this critical work with the Commission and with other stakeholders.

Regards,

Amy Wheelless
Senior Policy Associate
NW Energy Coalition

Kelly Hall
Senior Policy Manager
Climate Solutions

Dylan Sullivan
Senior Scientist
NRDC