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May 17, 2018

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

Re: Docket U-161024 – Rulemaking for Integrated Resource Planning with regard to Distribution System Planning

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company") appreciates the opportunity to offer comments and provides the comments below. Our comments are organized similar to how they were presented in the April 17th Notice of Opportunity to File Written Comments.

1. Should the Commission propose parallel natural gas distribution planning rule language, similar to the draft rules in WAC 480-100-238 for electric utilities, with the exception of subsection (3)(c) "Distributed energy resource integration"?
   a. How should distribution system planning rule requirements for WAC 480-90-238 be similar to that of the electric utilities?
   b. How should the requirements be different?

NW Natural believes that this opportunity to file written comments has raised some excellent questions. Once comments have been received, NW Natural would encourage the Commission to consider holding another workshop to further discuss these questions. NW Natural believes those discussions may be useful to inform the answer to this question. More specifically, NW Natural believes it may be better to respond to this question after the responses to these questions have been more fully explored.

2. In the draft rule, electric utilities would be required to form a separate advisory group to assist the utility as it develops its distribution system plan, in addition to the usual IRP advisory group. Regarding the distribution system advisory group:
   a. Should the distribution system advisory group be required, or should it be optional?
   b. What should be the extent and scope of the distribution system advisory group?
   c. Should the advisory group review the modeling methods, inputs, economic assumptions, cost estimates, and other factors that affect the selection of best options, or just review the results of transmission and distribution analysis?
   d. Is the draft description of the distribution planning advisory group's membership appropriate?
   e. Is a distribution advisory group necessary for the natural gas utilities? If yes, what should be the extent and scope of the advisory group?

NW Natural believes that a distribution system planning advisory group is less beneficial than including distribution system planning in the IRP, and—in the course of IRP development—receiving feedback from the IRP stakeholders regarding the Company's distribution system planning process and the related actions proposed for inclusion in the IRP. By means of example, understanding the drivers that influence peak day requirements informs one's understanding of the drivers that go into sub-system level peak hour planning, which is the basis for determining needs on the distribution system. Having a separate distribution system planning advisory group would be duplicative and—as a practical matter—such a group would include many of the same participants as the current IRP stakeholder group. NW Natural does support reviewing modeling methods, inputs, economic assumptions, costs estimates, and other factors involved in transmission and distribution system planning and would encourage this transparency.

3. The draft rule uses a new term, "major distribution capital investment," which is not tightly defined by a dollar value or otherwise. This definition is intended to provide separation of routine traditional maintenance of poles and other components from more significant capital expenditures that often have the potential for more than one solution. In those cases, a major distribution capital investment would call for analysis of all potential distributed energy resource options that satisfy the identified distribution need.

a. Would it be useful to include a dollar limit in the definition of "Major distribution capital investment"? For instance, the rule could state a cutoff using an estimated capital cost of over $1 million. Are there other, better, criteria that the Commission should consider?
b. Is there a need to define a major distribution capital investment for natural gas utilities? If yes, should the criteria be the same as for electric utilities? How should it be different?

NW Natural believes that it would be useful to include a dollar limit in the definition of "Major distribution capital investment." In UG-120417, NW Natural's 2013 IRP, the following criteria were used:

1) High-pressure ("HP") transmission projects required to move gas supplies to the Company's discrete load centers (as opposed to moving gas within a load center): or
2) Major system reinforcement or system expansion projects with an estimated cost exceeding $10 million.

In this same IRP, NW Natural included a list of projects that were projected to cost between $5 and $10 million dollars as an appendix.

The question above offered an example of using $1 million as a cutoff. NW Natural proposes either using the criteria included in UG-120417 or a $5 million cutoff for projects to be included in an action plan, although a full five year plan including all transmission and distribution system projects having an estimated cost exceeding $1 million could be included as an appendix to the IRP.

4. Distributed energy resources include a broad suite of evolving technologies. Electric utilities are learning through experience and experimentation how to efficiently integrate and value these resources. In recognition of this changing landscape, the Commission wants to encourage significant and creative progress in the prudent adoption and implementation of distributed resources without being too prescriptive in rule. Given that context:

a. Is there a recommended structure for organizing the distribution system plan that

allows future flexibility as well as engendering significant near-term progress?
b. Is there specific language that would optimize the combined goals of flexibility and timely implementation?
c. How should pilot and demonstration projects be encouraged in rule?
d. What criteria should the utility use to evaluate when there is a need for a pilot or demonstration project as opposed to programs ready for full-scale implementation?

The above question discusses distributed energy resources and highlights the fact that this is an evolving area. There is clearly a focus on decarbonizing the grid with renewable portfolio standards and other policies. However, NW Natural would like to highlight the importance of decarbonizing the pipeline and as such would like to encourage the Commission when thinking about distributed energy resources to consider the value of renewable natural gas as a resource. Additionally, and as NW Natural has highlighted before, the Company would also like to encourage including power to gas in the definition of energy storage along with the natural gas infrastructure that could potentially store hydrogen. While NW Natural believes it is premature to create rules for natural gas utilities relative to distributed energy resources, the Company is open to considering the point especially relative to how the Commission might encourage pilot and demonstration projects.

5. Recognizing that utilities are at various stages of modernizing their distribution systems, should the rule identify specific assumed fundamental requirements for enabling a modernized grid, such as:
a. a two-way distribution communication system,
b. a distribution management system (DMS) that provides centralized and automated monitoring and control of the utility's distribution system,
c. a distributed energy resources management system (DERMS) that aggregates, monitors and controls distributed energy resources as dispatchable resources, or,
d. other physical infrastructure and software needed to manage and control a modernized grid?
e. Are the fundamental requirements the same for electric and natural gas utilities? If no, what fundamental requirements should be used for natural gas utilities?

NW Natural believes that the fundamental requirements are similar and yet not quite the same between electric and natural gas utilities. More specifically, customers of both types of utilities benefit from more granularity and accuracy in terms of how the systems operate and what customers can do to use the energy source efficiently. However, the physical properties are such that electricity flows faster than natural gas and therefore requires management in shorter intervals than natural gas. That said, NW Natural believes that the natural gas "grid" is modernizing and the value for additional smart metering as well as a fixed network to allow the installation of additional instruments for monitoring the distribution system should be explored. However, it is NW Natural's opinion that it is premature to implement prescriptive requirements for a natural gas utility to install these facilities at this time.

6. When utilities submit biennial energy conservation reports to the Commission, they are required to provide an independent third-party evaluation of their conservation program achievements (See WAC 480-109-120(4)(b)(v)). Should a similar periodic independent review and evaluation of distribution plan results be required? If not, please explain why this should not apply.

NW Natural appreciates the notion of transparency and as such conceptually understands why this question is being asked. However, as a public review is performed approximately every two years, NW Natural is not clear regarding the incremental value of an additional review. Clarification of the review and evaluation considerations would be helpful to understand what criteria would be used to evaluate the plans, assumptions that would be involved in the decision making process, what would be provided that is not already reviewed by Commission Staff and other stakeholders during the IRP process, and how the proposed review would impact Commission consideration of prudency regarding investments proposed to be added to rate base in a general rate case.

7. Should the distribution plan conclude with an action plan? If so, what should be the time horizon for the action plan?

NW Natural believes that major distribution system projects for the next two to four years should be included in the action plan as part of the IRP. Further, NW Natural requests that the Commission consider providing acknowledgement of the action plan. While this would not be preapproval of utility distribution system investments, this acknowledgement would serve to document the Commission's concurrence that the plan seemed reasonable at the time of the resource decision and would likely provide more efficient review of these decisions in ratemaking proceedings.

8. For the organization of WAC 480-100-238, would it provide greater clarity to reorganize the rule into smaller sections, maintain the same organization and numbering structure, or add a new rule section?

NW Natural supports integrating new rules and sections into the same organization. Should a new structure be proposed, NW Natural may wish to comment on the proposal.

NW Natural appreciates this opportunity to comment and commends the WUTC for its consideration for the similarities and distinctions of natural gas and electric distribution systems and their planning process. If you have questions regarding these comments, please feel free to call me at 503.220.2430.

Sincerely,

/s/ Tamy S. Linver

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