



UG-210729

October 25, 2021

**Ms. Amanda Maxwell**  
**Executive Director and Secretary**  
**Washington Utilities and Transportation Commission**  
**621 Woodland Square Loop SE**  
**Lacey, WA 98503**

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*Re: Climate Solutions Comments on UG-210729, Consideration of whether to continue to use the Perpetual Net Present Value Methodology to calculate natural gas line extension allowances.*

Dear Ms. Maxwell,

Climate Solutions thanks you for the opportunity to provide written comments on UG-210729, Consideration of whether to continue to use the Perpetual Net Present Value Methodology to calculate natural gas line extension allowances. Climate Solutions is a clean energy nonprofit organization working to accelerate clean energy solutions to the climate crisis. The Northwest has emerged as a hub of climate action, and Climate Solutions is at the center of the movement as a catalyst, advocate, and campaign hub.

Over the past several years, the Washington State Legislature has made it clear that reducing climate pollution and transitioning to a clean energy economy is a top priority for the state. In 2019, the legislature passed the Clean Energy Transformation Act, which commits the state to ending the use of fossil fuels in electricity that serves Washington customers, putting us on a pathway to a 100% clean grid. In 2021, the Legislature built on that successful policy and passed multiple climate laws, including the Climate Commitment Act. This monumental law puts a declining cap on approximately three quarters of Washington's greenhouse gas emissions, including natural gas used for heating homes and businesses, in line with our statutory greenhouse gas emissions reduction requirement of 95% below 1990 levels by 2050.

At the same time the Legislature signals the importance of transitioning off fossil fuels, the use of fossil gas in homes and buildings is growing at a faster rate than any other source of greenhouse gas emissions in Washington.<sup>1</sup> The direct use of gas in our built environment is a key source of emissions that must be addressed in order for Washington to achieve the required statutory emissions reductions. Emissions from the combustion of gas in our built environment not only poses a threat to our climate, but also pose a significant risk to the health of our communities by emitting harmful pollutants inside our homes, like carbon monoxide, nitrogen oxide, and particulate matter. Analysis from Washington's most recent State Energy Strategy finds that the least cost pathway for achieving the state's emission reduction requirement relies

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<sup>1</sup> Washington State Greenhouse Gas Inventory, 1990-2018.  
<https://apps.ecology.wa.gov/publications/documents/2002020.pdf>



heavily on building electrification. We believe it is critical that regulatory policies and practices at the Commission align with the state's direction on reducing emissions and transitioning off fossil fuels.

Despite this shift in landscape, Washington utilities use one of the most generous line extension allowance methodologies in the nation, incentivizing a greater reliance on fossil gas and an expansion of gas infrastructure to heat our homes and buildings. The current methodology, Perpetual Net Present Value (PNPV), results in the maximum line extension allowance that is economic for the utility. Allowing utilities to provide such generous line extension allowances was initially intended to reduce emissions and increase efficiency. However, our electricity is now on a pathway to 100% clean, and with strong direction from the state to decarbonize all sources of energy, it is not practical to incentivize new connections to the gas system. Doing so poses risks to both new and existing customers, and does not align with the state's direction.

Posing additional risks to customers is the volatility of natural gas prices. In recent months, natural gas prices have soared to record highs of over \$6 per MMBtu,<sup>2</sup> nearly twice as much as Puget Sound Energy assumed in its latest Integrated Resource Plan. As demand for natural gas has risen, a limited global supply has resulted in soaring prices and little can be done except for having customers reduce usage. Alternatively, with advancements in new electric space and water heating technology, customers can reduce their dependence on volatile fossil fuels and are often better off when homes are built without gas, resulting in a lower lifetime cost for new homes built with all-electric appliances versus gas.<sup>3</sup>

Beyond the above considerations, we believe the PNPV methodology that utilities use is based on flawed assumptions for use in the gas sector. A key assumption in this methodology is that new customers will be connected to the gas system indefinitely, and that gas energy demands will remain consistent over time. Not only does this ignore the policy direction of the state to shift to electrification, but it also ignores increased efficiency measures and requirements that will significantly reduce energy usage in homes and buildings as technology advances.

Given the above comments, we strongly recommend that the Commission require gas utilities to end line extension allowances for all customers. While eliminating any line extension policy for the gas sector would not prohibit new customers from connecting to the gas system, it would require the customer joining the system to pay the full cost of doing so, rather than being subsidized by existing customers. In turn, this would help reduce an unnecessary expansion of our gas system and reduce the risk of utilities investing in assets that will likely become stranded before the end of their useful life.

As the Commission contemplates the PNPV methodology – and whether gas line extension allowances should be permitted at all – we also ask that you explore connection policies and

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<sup>2</sup> EIA, Natural Gas Weekly update, (October 20, 2021). <https://www.eia.gov/naturalgas/weekly/>

<sup>3</sup> Rocky Mountain Institute, The Economics of Electrifying Buildings, (2018). <https://rmi.org/insight/the-economics-of-electrifying-buildings/>



other regulatory frameworks that will help support a reduced reliance on gas and shift the incentives towards electrification. Doing so would protect customers in the long-run, reduce emissions, and align regulatory practices with the state's direction.

Thank you again for the opportunity to provide comments, and we look forward to working with you on this important issue.

Sincerely,

A handwritten signature in black ink that reads "Kelly Hall". The signature is written in a cursive, flowing style.

Kelly Hall  
*Senior Policy Manager*  
*Climate Solutions*

A handwritten signature in black ink that reads "Vlad Gutman-Britten". The signature is written in a cursive, flowing style.

Vlad Gutman-Britten  
*Washington Director*  
*Climate Solutions*