BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

Regarding Implementation of RCW 80.28.380	DOCKETS UG-210094, UG-210450, UG-210461, and UG-210462

INITIAL COMMENTS OF PUBLIC COUNSEL

September 27, 2021

I. INTRODUCTION

1. On September 14, 2021, the Washington Utilities and Transportation Commission ("UTC" or "Commission") issued a Notice of Opportunity to File Written Comments (hereinafter "Notice") regarding the implementation of RCW 80.28.380. This statute requires natural gas utilities to file their conservation potential assessments (CPAs) for approval with the Commission. The Notice offers several legal and policy questions that Commission Staff are seeking input on prior to the Commission's evaluation of the CPAs. The Public Counsel Unit of the Washington State Office of the Attorney General ("Public Counsel") appreciates the opportunity to respond to the Notice questions and offers the following comments.

II. RESPONSES TO NOTICE QUESTIONS

A. Question 1: Does the requirement to incorporate the social cost of greenhouse gases under RCW 80.28.380 require the utility to use a total resource cost-effectiveness test in identifying cost-effective conservation measures? Please explain your answer.

2. RCW 80.28.380 states that the social cost of greenhouse gas is the cost of greenhouse gas emissions resulting from the use of natural gas, including the effect of emissions occurring in the gathering, transmission, and distribution of natural gas to the end user.[1] In other words, the social cost of greenhouse gas is a monetary estimate of the economic impacts associated with emitting an additional ton of greenhouse gas in a given year.

3. There are a number of tests utilities use across the country to measure program cost-effectiveness. The Commission issued a Policy Statement on the Evaluation of the Cost-

[1] RCW 80.28.380.

Effectiveness of Natural Gas Conservation Programs in Docket UG-121207.[2] This Policy Statement uses the California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects[3] to define the following cost tests, summarized from the Order:

- ***Total Resource Cost Test (TRC)***: The Total Resource Cost Test is designed to capture all conservation program benefits and costs, regardless of who pays for them. A properly calculated TRC will account for a variety of benefits, including the hedge value of risk avoidance, downward price pressure from reduced demand, the value of quantifiable non-energy benefits, and a method for including non-energy benefits that are difficult to quantify. The TRC test examines efficiency from the viewpoint of an entire service territory and compares the program benefits of avoided supply costs to costs for administering a program and the cost of upgrading equipment.
- ***The Utility Cost Test (UCT)***: The Utility Cost Test includes only the costs and benefits that accrue to the utility or program administrator. In contrast to the TRC, the UCT does not include costs or non-energy benefits to an individual customer.
- ***The Societal Cost Test (SCT):*** The Societal Cost Test includes all perspectives. This places an economic value on the reduction of air and water pollution, reduction in healthcare costs, and national security benefits. While difficult to administer, at least six states use the SCT as their primary cost test. However, the Commission stated in their Policy Statement that the UCT and TRC produce similar results to the SCT.

[2] *In re the Comm'n Investigation into Nat. Gas Conservation Programs*, Docket UG-121207, Policy Statement (Oct. 09, 2013).
[3] Cal. Pub. Utils. Comm'n, CALIFORNIA STANDARD PRACTICE MANUAL: ECONOMIC ANALYSIS OF DEMAND-SIDE PROGRAMS AND PROJECTS (2001), https://www.raponline.org/wp-content/uploads/2016/05/cpuc-standardpractice-manual-2001-10.pdf

4. Given these definitions from the Commission, the requirement to incorporate the social cost of greenhouse gas under RCW 80.28.380 eliminates the traditional UCT as a compliant option. It does not, however, default to TRC. Both the TRC and the SCT can account for environmental factors such as greenhouse gas pollution. Additionally, in contrast to when the Commission wrote this Policy Statement, we now have codified guidance on how to quantify the cost of greenhouse gas emissions in RCW 80.28.395, which may make the SCT more feasible now. Public Counsel looks forward to discussing the best measure of cost-effectiveness with other stakeholders.

B. Question 2: An analysis of the availability of conservation is required under RCW 80.28.380. What considerations should be included in this analysis? Please explain your answer.

5. The full text of RCW 80.28.380 reads [emphasis added]:

> Each gas company must identify and acquire all conservation measures that are **available** and **cost-effective**. Each company must establish an acquisition target **every two years** and must demonstrate that the target will result in the acquisition of all resources identified as available and cost-effective. The cost-effectiveness analysis required by this section **must include the costs of greenhouse gas** emissions established in RCW 80.28.395. The targets must be based on a conservation potential **assessment prepared by an independent third party and approved by the commission**. Conservation targets must be **approved by order by the commission**. The initial conservation target **must take effect by 2022**.

6. Statute provides sparing direction in what the gas conservation potential should consider, with the exception of cost-effectiveness, near-term availability, and accounting for the costs of greenhouse gas emissions with the consumption of natural gas. The other considerations outlined in statute are practical in nature regarding the preparation and delivery of the assessment to the Commission.

7. All of Washington's investor-owned natural gas utilities already operate conservation programs that seek to acquire all cost-effective conservation. In implementing statutory conservation programs, gas utilities should follow the blueprint established in long-standing electric programs for their 10-year CPAs to the extent practicable. In many respects, similar considerations can be made for developing gas and electric CPAs, so it is reasonable to mirror practices that are currently working and avoid unnecessarily developing different criteria. Certainly, there are different end uses for and economics related to the consumption and conservation of electric and gas utility services, but the Commission should not reinvent the wheel.

8. Public Counsel emphasizes that utilities should consider available, up-to-date data. The Regional Technical Forum provides data appropriate to build assumptions and ramp rates for natural gas conservation measures. For each utility, CPAs should also consider local availability of measures, based on the unique characteristics of each service territory. For example, in some service territories, measures (i.e. specific water heaters, etc.) may not be broadly available to customers to take advantage of. That will affect the achievability of conservation portfolios. Public Counsel looks forward to continued discussion on this topic with Commission Staff and other stakeholders.

C. Question 3: Must utilities include conservation measures from gas transportation customers in their identification of all conservation measures under RCW 80.28.380? Please explain your answer.

9. The Commission asks whether gas transportation customers must be included when identifying all available cost-effective, conservation measures. Public Counsel believes there are foundational questions to examine first. RCW 80.28.380 requires all gas companies to "identify

and acquire all conservation measures that are available and cost-effective." Acquisition targets must be established every two years and the "cost-effectiveness analysis … must include the costs of greenhouse gas emissions established in RCW 80.28.395."[4] RCW 80.28.395 states that the cost per metric ton of emissions is equal to the "cost of greenhouse gas emissions resulting from the use of natural gas, including the effect of emissions occurring in the gathering, transmission, and distribution of natural gas to the end user …"[5]

10. The first foundational question is the definition of conservation. Chapter RCW 80.28 requires natural gas utilities to acquire all cost-effective conservation, but does not contain a definition of conservation for gas companies. RCW 80.28.025 provides that in establishing rates for electric and gas companies, the UTC "shall adopt policies to encourage meeting or reducing energy demand through cogeneration …, measures which improve the efficiency of energy end use, and new projects which produce or generate energy from renewable resources …"[6] WAC 480-90-238 provides a definition of conservation specific to natural gas companies, though in the context of integrated resource planning. It states: "'Conservation' means any **reduction in natural gas consumption** that results from increases in the efficiency of energy use or distribution."[7] The definitions in the statues and administrative rules seem to focus on the end use or consumption of natural gas when considering conservation.

11. The second foundational question is whose consumption or end use is contemplated with respect to conservation. More specifically, were transportation-only gas customers meant to be included as end users of natural gas? Historically, transportation-only customers have not been

[4] RCW 80.28.380.
[5] RCW 80.28.395.
[6] RCW 80.28.025.
[7] WAC 480-90-238(2)(c) (emphasis added).

included and there may not be data available about the potential for these customers to participate in conservation programs. Additionally, transportation customers consume pipe capacity, so it is unclear what a conservation program would target when offered by a regulated utility to these customers. However, if transportation-only customers are to be included in conservation programs, Public Counsel believes that it is appropriate for the costs to be allocated to those customers. We look forward to the contributions of other stakeholders.

III. CONCLUSION

12. Public Counsel appreciates the opportunity to provide these comments and looks forward to reviewing comments from other stakeholders. If you have any questions about these comments, please contact Corey Dahl at Corey.Dahl@ATG.WA.GOV, Shay Bauman at Shay.Bauman@ATG.WA.GOV, or Stephanie Chase at Stephanie.Chase@ATG.WA.GOV.

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