UG-230819

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Kathy Hunter, Acting Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Docket UG-230819 – NW Natural - Request to revise Tariff WN U-6 by establishing Schedule 308, Washington Climate Commitment Act Recovery Mechanism

NW Energy Coalition ("NWEC") thanks the Washington Utilities and Transportation Commission ("UTC" or "Commission") for the opportunity to provide comments in response to NW Natural's ("NWN" or the "Company") request for WA Schedule 308. NWN Schedule 308 is a proposed rate tariff to costs associated with purchasing allowances to comply with the Climate Commitment Act ("CCA").

NWEC recommends that the Commission adopt Schedule 308 subject to the Company filling a risk-sharing mechanism for the next annual tariff filing for Schedule 308.

In the initial filing, NWN states that it proposes "to use a balancing account to track the collections and program costs to ensure costs and collections match without under- or over-recovery over time." NWEC opposes the creation of a permanent balancing account. Essentially, the Company is proposing to have Schedule 308 be a direct passthrough of costs and revenues associated with the CCA to customers. NWEC finds the Company's reasons to begin cost recovery now to be compelling and finds it reasonable for the Commission to allow NWN to begin collecting CCA allowance costs from customers. However, it is NWEC's position that the establishment of a permanent balancing account for CCA costs is inappropriate at this time, and that the Company should adopt a reasonable risk-sharing mechanism.

The Washington legislature, through the CCA, has directed the Department of Ecology to reduce Washington's emissions by 95% of 1990 levels by 2050. Due to the CCA, NW Natural must reduce greenhouse gas emissions associated with the use of natural gas by 2050. NWN's proposed balancing account places all risks associated with the allowance market onto customers. NWN is assuming that it will be able to purchase the allowances it needs to cover its emissions in perpetuity, and customers will pay 100 percent of the costs. While it is appropriate for customers to pay for the prudently incurred costs associated with CCA compliance, it is not appropriate for customers to bear the risk of the Company's participation in the allowance market while the Company has no plan to meet its emissions reduction obligations. NW Natural will be competing with other allowance market participants for allowances as the emission cap declines over time. There is no guarantee that allowances will be available at auction at a cost-effective price, which places customers at risk.

Nonetheless, NWEC finds that it is reasonable for cost recovery to begin through Schedule 308. NWN is subject to and will continue to incur costs associated with CCA compliance. In the Company's initial application, the Company argued that allowing Schedule 308 to begin collecting costs on January 1st, 2024 would help mitigate customer's overall bill impact and avoid the growing balances and compounding rate increase associated with deferring CCA compliance costs. The Company also noted a significant portion of the cost increase in the tariff proceeding will be offset by declines in natural gas commodity costs under the company's most recent PGA tariff change. NWEC finds the Company's reason to begin cost recovery now to be compelling and finds it reasonable for the Commission to allow NWN to begin collecting CCA allowance costs from customers. However, it is NWEC's position that the establishment of a permanent balancing account for CCA costs is inappropriate at this time.

Respectfully submitted,

/s/ William Gehrke
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