



UG-250458

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September 4, 2025

SENT VIA WEB PORTAL

Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
P. O. Box 47250
Olympia, WA 98504-7250

Re: ***Northwest Natural Gas Company d/b/a NW Natural's Vancouver Thermal Energy Pilot Project***
Docket UG-250458

Dear Director Killip:

The Public Counsel Unit of the Washington Attorney General's Office (Public Counsel) submits these comments to the Washington Utilities and Transportation Commission (UTC or Commission) in response to its Notice of Opportunity to File Written Comments (Notice) in Docket UG-250458, dated August 5, 2025. The Notice requested written comments regarding Northwest Natural Gas Company's (NW Natural or the Company) Thermal Energy Network (TEN) Pilot Project.

1. NW Natural's cost assessment is incomplete

NW Natural's filing is based on schematic, or partial project design, as an alternative to a formal Request for Proposal (RFP) process, which the Company claims would "create additional risk, expense, and an elongated time horizon."¹ Public Counsel notes an RFP process provides greater certainty for the Commission to determine whether the all-in costs of the project are prudent. Standard ratemaking principles require a fulsome exploration of costs and benefits. Short-circuiting the evaluation process because it would take too much time or cause too much expense should be a warning sign that a project may be imprudent. If NW Natural elects to proceed, the Commission should assign all the risks of an imprudence finding to the Company rather than ratepayers.

The Company's recently filed General Rate Case (GRC) in Docket UG-250610, provides some

¹ NW Natural's Petition, ¶ 2 (filed July 29, 2025).

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indication of the rate impact of this project. NW Natural proposes to charge TEN customers a surcharge of about six percent of the project's estimated annual revenue requirement (approximately \$86,000)² and collect the remaining 94 percent from non-TEN customers (approximately \$1.3 million).³ But the Company acknowledges that the final "all-in costs will likely be higher"⁴ than the initial total estimate. With such a significant rate impact, certainty around projected costs is more necessary, not less.

2. Lack of available public funding

Adding to Public Counsel's concern over proceeding without a full understanding of projected costs, Public Counsel notes that the total price of the project, \$12.8 million, is considerably higher than the \$4.8 million of total grant funding available to all potential TENs pilot project applicants.⁵ While NW Natural relies on a federal geothermal tax credit to offset project costs,⁶ this credit will only be a partial offset and, given the current federal antipathy toward renewable energy, is not certain. The only other grant funding NW Natural references is an energy savings credit from Clark Public Utilities via the Bonneville Power Administration (BPA).⁷ In NW Natural's GRC filing, Witness Holly J. Braun, explains that "taken together, these credits reduce the overall cost of the project from \$12.8 million to \$9.2 million."⁸ Given the shrinking pool of available public funding, Public Counsel notes that proceeding with this pilot project will rely heavily on ratepayer funding.

3. Equity concerns

Throughout its petition, NW Natural concedes this project would serve "market-rate" residents as well as government and commercial buildings.⁹ While the Company notes the project's "positioning for future customer expansion" and its potential for "unlocking a broader impact beyond the initial pilot footprint" it fails to provide any concrete details on how many low-income customers might be served in the future.¹⁰ Public Counsel is concerned that providing significant ratepayer funded environmental and technological benefits to relatively few "market rate" customers at the expense of low-income customers elsewhere on NW Natural's system is an

² Direct Test. of Holly J. Braun, Exh. HJB-1CT at 26:8–9, *Wash. Utils. & Transp. Comm'n v. Northwest Nat'l. Gas Co.*, Docket UG-250610 (filed Aug. 29, 2025).

³ *Id.* at 29:23.

⁴ NW Natural's Petition, ¶ 3.

⁵ *Id.*

⁶ *Id.* ¶ 76.

⁷ Direct Test. of Holly J. Braun, Exh. HJB-1CT at 21:20–21, *Wash. Utils. & Transp. Comm'n v. Northwest Nat'l. Gas Co.*, Docket UG-250610 (filed Aug. 29, 2025).

⁸ *Id.* at 22:1–2.

⁹ NW Natural's Petition, ¶¶ 10, 18, 37, 39, 47, 55.

¹⁰ *Id.* ¶ 19.

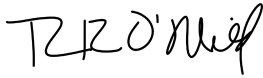
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inequitable allocation of benefits. As noted above, with increasingly limited resources available for TEN projects, the Commission should be skeptical of any projects that fail to equitably distribute renewable energy to customers.

Public Counsel appreciates NW Natural's desire to open a dialogue about the TEN project and the possibility of using TEN technologies to assist in transition to cleaner, more efficient heating. Ultimately, Public Counsel does not oppose NW Natural's request to proceed with the information currently available, so long as Public Counsel retains the ability to oppose future recovery of project costs based on prudence. The risk that proceeding without an RFP in the face of shrinking public resources could result in a future disallowance should fall on the Company and not ratepayers. Public Counsel appreciates this opportunity to comment on Northwest Natural's TEN pilot project. If you have any questions about this filing, please contact the undersigned or regulatory analyst Jean Marie Dreyer at Jean.Marie.Dreyer@atg.wa.gov.

Sincerely,



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