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

RE: U-210553, Natural Gas Decarbonization Pathways, NW Natural's Comments

Northwest Natural Gas Company, dba NW Natural ("NW Natural"), appreciates the opportunity to provide comments in the above-captioned docket. The Washington Utilities and Transportation Commission's ("WUTC" or "Commission") May 31, 2023, Notice of Opportunity to File Written Comments on Decarbonization Pathways ("Notice") seeks comments on the Sustainability Solutions Group's ("SSG") dashboard that shares some of the data and conclusions regarding different decarbonization pathways.¹ In responding to this Notice, NW Natural continues to raise the same process and engagement concerns that it has had throughout this proceeding, as well as substantive concerns with SSG's dashboard.

Process and Engagement Concerns

Participants in this docket have not been given the data and analysis that is necessary to fully evaluate and comment on SSG's work product, despite repeated requests for such information. NW Natural and other participants in this docket have raised these transparency concerns throughout this docket, but they unfortunately remain unaddressed. As NW Natural first said in its January 17, 2023 comments, this approach to engagement is inconsistent with SSG's own engagement plan where "[i]nterested or affected parties will have opportunities to provide input and will be informed on how their feedback shapes the final report." Participants will not have even seen a draft report prior to the conclusion of this proceeding. The only information that has been provided is a limited online dashboard that does not provide sufficient details of the key inputs and modelling details. It also makes no attempt to explain how feedback shapes the report. Without seeing the full report, it is impossible to determine how SSG conducted its analysis, whether its assumptions were valid, and whether equity is appropriately addressed.

¹ A subsequent notice, issued on June 28, extended the comment deadline to July 31, 2023.

NW Natural's transparency concerns date back nearly two years. In its September 21, 2021 comments in this docket, NW Natural recommended that—prior to engaging in modeling—SSG make available for review assumptions concerning: 1) space and water heating equipment efficiencies and costs, 2) transportation vehicle efficiencies and costs, 3) energy supply options, 4) transmission and distribution costs, 5) baseline energy load and supply profiles, 6) energy efficiency and demand response, and 7) fuel prices.

NW Natural followed up on this concern in its January 17, 2023 comments, stating that, "Participants have not received the workpapers that would allow one to see these assumptions and how they are deployed in the intervening 16 months, despite repeated requests for them."

The dashboard provided by SSG still does not contain this information in any detail or explain why certain assumptions were used and not others. Only through questioning at the July 18 workshop to explain the dashboard was NW Natural able to determine that SSG used Calliope to model the electric system, but how exactly it did this remains unclear.

The primary problem with this approach is that it ignores the considerable amount of subject matter expertise in the Decarbonization Advisory Group ("DAG"). If the DAG was utilized in this process, it could help determine assumptions in the modeling using their own deep experience in the energy system's needs and nuances in the state of Washington. With this level of engagement, it would lead to more insightful comments and analysis from all participants in this docket – much like what is expected and carried out by utilities in terms of stakeholder engagement and review in similar integrated resource planning work.

For example, in its July 21, 2023 comments on the dashboard, Avista commented that "the analysis lacks the ability to serve customer load on a temporal basis during extreme cold weather events . . . [and] the energy demand forecast during these events appears to be low." In addition, Avista raised concerns regarding how SSG's assumptions differed from Avista's Integrated Resource Plan. If SSG's analysis, or at least its assumptions, was presented to the DAG earlier, as advocated by NW Natural and others, these crucial issues regarding resource adequacy and reliability could have been addressed in a transparent and rigorous manner. Instead, it is unclear if or how these important concerns will be addressed in the final report.

In short, the dashboard continues the practice of only providing conclusory findings that fail to resolve important issues that are critical for this effort, such as those noted above. During the study process, DAG members were only given summary conclusions in PowerPoint slides that were provided shortly before meetings started. While there was enough time to comment on the dashboard, it nonetheless suffers from the same flaws in that it is still unclear how SSG conducted its analysis and how any feedback is incorporated.

Substantive Concerns with the Dashboard

As noted in its January 17, 2023 comments, NW Natural is concerned that the decarbonization pathways identified by SSG are not realistic. In all pathways, existing buildings that currently use natural gas are either: 1) 100 percent electrified, or 2) converted to natural gas heat pumps that utilize RNG and hydrogen by 2040. It is unrealistic to expect all these buildings to convert to the same heating technology in that time. Note that this is the case even for the “hybrid” pathway where existing buildings are completely electrified, but some alternative fuels are used for industrial purposes. Instead, a more plausible approach would use gas to serve peak needs through the deployment of hybrid heating systems, thereby potentially limiting the need for alternative fuels. This commonsense pathway that seeks to leverage the capacity in the gas system was not studied and is not part of the dashboard, despite NW Natural's request for inclusion. Not including such a pathway calls into the question the reasonableness of the pathways being studied.

More importantly, and as stated by NW Natural repeatedly through this process, including in its January 17 comments, the approach taken in this proceeding appears to mostly ignore how electrification and alternative fuels can complement each other. For example, a hybrid heating system entails a natural gas furnace serving as the backup to an electric heat pump. In most cases, such a system has lower annual operating costs and is more efficient than using a standard heat pump backed up by electric resistance heating, and can reduce gas usage within a home in our climate by 80 percent.

Pursuing a more balanced strategy that focuses on how to use the capacity of the existing gas system is vital to avoid large, unneeded investments in generation, transmission, and distribution, while ensuring that the overall energy system remains reliable and resilient.

The dashboard also appears to only address transmission and distribution costs in a cursory fashion, stating in the executive summary that: “Transmission infrastructure, as well as some distribution infrastructure, will need increased capacity compared to business as planned.” But there is no sense of how much transmission and distribution infrastructure should be added, its location, cost, or the equity concerns with siting such projects. Therefore, it is unclear how the final report will address: “The impact on regional electric system resource adequacy, and the transmission and distribution infrastructure requirements . . .” as required by section 143 of Senate Bill 5092. Even if this analysis is included in the final report, it would not be vetted with participants whose insight could have helped drive a more complete analysis.

NW Natural is also puzzled by SSG's apparent focus on peak demand for an “average” weekday. We share Avista's concern that this approach does not ensure reliability because it would not demonstrate that the power system can meet demand that is higher than average (i.e., when the weather is hotter or colder than average). As such, the Company does not believe that enough work has been done to ensure resource adequacy per section 143 of Senate Bill 5092.

Similarly, contrary to Senate Bill 5092, the dashboard does not consider the “regional” aspect of resource adequacy, instead only focusing on Washington state. This approach is problematic because it assumes that Washington utilities can import power during heat waves and cold snaps, but demand for that power may also exist in surrounding states and provinces that are subject to the same weather conditions. It can also lead to a situation where each state can perform a similar study in a vacuum and make similar assumptions about the ability to import power from each other during common periods of high demand. In such a situation, there must, of course, be a state or province that can export power, but it is not readily apparent from SSG’s work whether that export ability actually exists. This lack of a regional look at resource adequacy is a serious deficiency that should be addressed.

In addition, Senate Bill 5092 requires the study to discuss: “Potential regulatory policy changes to facilitate decarbonization of the services that gas companies provide while ensuring customer rates are fair, just, reasonable, and sufficient.” To NW Natural’s knowledge, any such changes were not discussed during this docket. The changes mentioned in the executive summary are cursory and not fully explained, such as “improved utility planning and coordination” and enabling and supporting improvements in energy efficiency. Again, NW Natural is uncomfortable that these very important issues are mostly unaddressed in the dashboard and that it has no ability to comment on the final report where these issues may or may not be described in more detail.

Finally, the costs and benefits of each pathway are impossible to determine with any precision from the dashboard and are very unclear. NW Natural agrees with the June 29, 2023 comments of Public Counsel, which stated: “The information in the dashboard is confusing and it is difficult to understand how it is connected to past engagement efforts.” We believe this is especially true regarding the individual resource costs and the overall costs of each pathway.

Sincerely,

/s/ Zachary Kravitz

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