

July 23, 2024

Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission 621 Woodland Sq. Loop SE Lacey,
Washington 98503

Received
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**Re: U-240281, Renewable Northwest and Climate Solutions' First Set of
Comments on the Rulemaking required to implement ESHB 1589**

Dear Jeff Killip,

On May 10, 2024, the Washington Utilities and Transportation Commission (UTC or Commission) filed a Preproposal Statement of Inquiry (CR-101) with the Office of the Code Reviser, kicking off the Commission rulemaking required to implement ESHB 1589 in this docket. Along with filing the CR-101, the Commission issued a Notice of Opportunity to File Written Comments and a Notice of Workshop. The Commission hosted the first workshop on June 25, 2024. Persons representing both Renewable Northwest (RNW) and Climate Solutions participated in the workshop.

RNW and Climate Solutions appreciate the opportunity to provide comments and recommendations to the Commission on two issues that emerged during the workshop:

- The Integrated System Plan (ISP) should consider all capital and operational investments in the Pipeline Replacement Program Plan (PRP) and the Multiyear Rate Plan (MYRP).
- The Straw Proposal Cost Test is an appropriate starting point but will need to be modified as an emissions reduction measure test for the ISP.

1. The ISP should consider all capital and operational investments in the Pipeline Replacement Program Plan and the Multiyear Rate Plan

In its May 10 Notice, the Commission asked parties if there are existing plans required under seven existing statutes that large combination utilities submit to the Commission that the Commission should consider including and/or excluding from the required rulemaking proceeding. In its June 24 comments to the Commission, and again during the workshop, Puget Sound Energy (PSE) recommended that the Commission

exclude from consolidation two plans: the MYRP and the PRP.¹ RNW and Climate Solutions are concerned with PSE’s recommendation to exclude the PRP from consolidation with the ISP, and have concerns about the role of capital and operational investments in the MYRP for informing the ISP.

Through the PRP, the Commission approves tens of millions of dollars in investments annually. The Commission approves the vast majority of PSE’s capital and operational investments through the MYRP. The costs and long lives of the investments in these programs have substantial cost and risk impact on ratepayers and the ability of PSE to meet state policies and requirements. RNW and Climate Solutions believe that the ISP process will be critically harmed if the costs, benefits, and risks of these programs are not included or considered within the ISP. In addition to capturing the true costs of the gas system, many of the capital investments the Company makes through these programs may be suitable for alternatives analysis such as pipeline repair, electrification, and non-pipeline alternatives (NPAs). RNW and Climate Solutions recommend that the Commission:

1. Consolidate the PRP within the ISP, and
2. Identify a process for the ISP to include the capital and operational investments made through the MYRP.

PSE filed its most recent PRP in June 2023, in docket UG-230419. As can be seen in Table 1, PSE plans to spend approximately \$70 million annually on its PRP in 2024 and 2025, the bulk of which is to replace existing pipes. Moreover, according to PSE, it intends to spend more than \$1 billion in 2023 dollars replacing 435 miles of Aldyl HD pipe over the next 20 years.²

Table 1: Programs included in PSE's 2023 Pipeline Replacement Program Plan

Year	Aldyl (“HD”) Plastic Pipe	Buried Meter Remediation	Sewer Cross Bore Remediation	No Record Facilities Remediations	Total
2024	\$56.4 million	\$6.2 million	\$4.7 million	\$0.5 million	\$67.8 million
2025	\$57.6 million	\$6.5 million	\$4.7 million	\$2.0 million	\$70.8 million
2024 – 2025 Total	\$110.4 million	\$12.7 million	\$9.4 million	\$2.5 million	\$138.6 million

¹ Comments of Puget Sound Energy in Docket U-240281 – Commission rulemaking required to implement Engrossed Substitute House Bill 1589 (Chapter 351, Laws of 2024). June 24, 2024.

² Puget Sound Energy Pipeline Replacement Program Plan, June 2023: Dockets UG-230419 and UG-120715. Page 9, Table 5.

RNW and Climate Solutions are not proposing that the Company stop removing Aldyl HD pipe from the ground. PSE must maintain the safety and integrity of the system. Rather, we want to identify how the programs in the PRP and MYRP are related to the ISP and demonstrate why these expenditures must be accounted for in the ISP.

First, the Company's forecasted expenditures for replacing existing pipeline over the next 20 years are enormous and relevant to the ISP. ESHB 1589 requires gas plant in service as of July 1, 2024, to be fully depreciated by 2050. However, ESHB 1589 is not clear as to when new gas plant installed after July 1, 2024, must be depreciated. Distribution pipelines typically have a service life of 35 – 40 years. That means the pipe the Company replaces through the PRP will have a useful life into the 2070s. Through the ISP, PSE must plan its electric and gas systems to meet the state's policies and requirements at the lowest reasonable cost. RNW and Climate Solutions do not believe that this is feasible if PSE is leaving out over \$1 billion of capital investment in its gas distribution system. Moreover, since the Commission's rules do not explicitly identify which investments occur in the PRP, the MYRP, or through another regulatory mechanism, PSE could continue to add gas capital plant investment through the PRP, which would not be accounted for and considered in the ISP. In its written and oral comments, PSE referred to the PRP as "safety" related projects that are necessary in any circumstance. Although we have concerns with PSE's framing, even if the Commission agreed with PSE that all of these investments are necessary irrespective of the Company's emissions reductions obligations, it is still necessary for the ISP to recognize the costs of PSE's ongoing gas plant investments that are occurring in the PRP for identifying the lowest reasonable cost pathway.

Second, we are concerned that excluding investments in the PRP and MYRP from consideration in the ISP will result in PSE overlooking the potential for using NPAs, electrification, and possibly pipeline repairs, as alternatives for those projects. PSE acknowledges that the ISP must consider nonpipeline alternatives and electrification, however, based on its proposal to exclude projects in the PRP and MYRP from the ISP, our understanding is that PSE would not consider examining alternatives to PRP and MYRP projects. Our concern is underlined in part by PSE's overly broad description of its PRP as a "safety-focused plan"³ Not all PRP investments carry the same level of urgency. It is helpful to look to the national and state pipeline leak classifications for understanding differences in severity and timeliness of improvements to the gas distribution system. The Pipeline and

³ Comments of Puget Sound Energy in Docket U-240281 – Commission rulemaking required to implement Engrossed Substitute House Bill 1589 (Chapter 351, Laws of 2024). June 24, 2024. Page 4.

Hazardous Materials Safety Administration⁴ (PHMSA) and the UTC⁵ classify and rank pipeline leaks using three grades.

WAC 480-93-18601

1. Grade 1 leaks represent existing or probable hazards and require prompt action
2. Grade 2 leaks are recognized as being not hazardous at the time of detection but justifies scheduled repair based on the potential for creating a future hazard.
3. Grade 3 leaks are not hazardous at the time of detection and can reasonably be expected to remain not hazardous.

RNW and Climate Solutions do not dispute that the PRP includes safety related projects nor dispute that PSE needs to remove pipeline deemed to have an “elevated risk” from service. But, as PSE’s own PRP demonstrates, there are projects in the PRP that are not in need of emergency action and PSE has time to consider NPAs, targeted electrification, and pipeline repair in lieu of replacing pipe. The PRP states that PSE intends to replace 190 miles of Aldyl HD pipe in 12 to 20 years, or approximately from 2035 to 2043. Although Aldyl HD pipe may not be suitable for pipeline repair, given the rapidly changing energy landscape and PSE’s obligation to deep decarbonization, it is possible that some of these replacements may not be necessary if PSE pursued NPAs and electrification as alternatives.

In its current MYRP proposal before the Commission, the Company identifies \$416 million in expected gas capital expenditures in 2025 and 2026.⁶ Nearly half of the planned spending is on Gas Maintenance, which includes the PRP, and other programs, presumably including the Active Leak Reduction program.

⁴ <https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/2023-05/Gas%20Pipeline%20Leak%20Detection%20and%20Repair%20NPRM%20-%20May%202023.pdf>

⁵ WAC 480-93-18601.

⁶ Dockets UE-240004 and UG-240005, Landers Direct Exh. DJL-1Tr, page 26, Table 5.

Table 2: PSE's MYRP Expected Gas Capital Expenditures from 2025 - 2026, by Category⁷

Exhibit	Investment Category	Example Programs	Capital Investment (\$ Millions)	Primary Benefits
Customer and Public Safety	Emergency Repair	<ul style="list-style-type: none"> Emergent Repairs 	56.6	<ul style="list-style-type: none"> Customer satisfaction Operations safety
	Gas Maintenance	<ul style="list-style-type: none"> Distribution Integrity Management PRP Enhanced methane emissions reduction 	207.2	<ul style="list-style-type: none"> Increased safety Risk mitigation
	Public Improvement	<ul style="list-style-type: none"> Relocations Franchises 	62.4	<ul style="list-style-type: none"> Risk mitigation
Customer Growth and Service Needs	Customer Requests	<ul style="list-style-type: none"> Customer requests 	52.1	<ul style="list-style-type: none"> Customer satisfaction
Pipeline Reliability and Monitoring	Pipeline Digital Monitoring	<ul style="list-style-type: none"> Pipeline Digital Monitoring 	5.4	<ul style="list-style-type: none"> Reliability and safety by reducing response time
	Pipeline System Reliability	<ul style="list-style-type: none"> Pipeline System Reliability 	29.7	<ul style="list-style-type: none"> Reduction in customer outages
	Alternative Fuels Readiness	<ul style="list-style-type: none"> Alternate Fuels Readiness 	3.0	<ul style="list-style-type: none"> Learning and developing efficient transformation of the pipeline system

In the 2023 PRP, PSE stated that it moved three programs from the PRP to the MYRP, including the Active Leak Reduction program.⁸ The Active Leak Reduction program addresses Grade 2 and 3 nonhazardous leaks (PSE refers to them as Grade B and C). Given that these leaks are nonhazardous, they are more likely to have suitable alternatives to pipeline replacement including pipeline repair, electrification, and NPAs. We agree with PSE that the ISP and MYRP should not be consolidated. However, it is imperative that the ISP consider the capital and operational expenses PSE makes on behalf of the gas system in the ISP when determining the lowest reasonable cost pathways. In the rules, the Commission should require PSE to identify and include the costs, benefits, and long-term risks of all of its gas plant capital and operational expenditures and require the Company to consider alternatives to pipeline replacement for suitable expenditure categories.

2. The Straw Proposal Cost Test is an appropriate starting point but will need to be modified as an emissions reduction measure test for the ISP.

The Commission's Notice offered Commission Staff's Straw Proposal for a Washington Cost-Effectiveness Test for Distributed Energy Resources as an appropriate starting point for developing a cost test for emissions reduction programs. Both PSE and the Northwest Energy Coalition (NVEC) commented on the cost test in their June 24, 2024, comments.⁹ RNW and Climate Solutions are generally in agreement with NVEC's comments that the Straw Proposal is a suitable starting point for this rulemaking. We

⁷ Dockets UE-240004 and UG-240005, Landers Direct Exh. DJL-1Tr, page 26, Table 5.

⁸ Puget Sound Energy Pipeline Replacement Program Plan, June 2023: Dockets UG-230419 and UG-120715. Page 15.

⁹ NW Energy Coalition's Comments on the Commission's Rulemaking to Implement HB 1589 (Docket U-240281). June 24, 2204.

particularly agree with NWECE's recommendation that electrification should be considered as a resource, and NWECE's suggestion that the Commission pay particular attention to Principle 5, which states that cost-effectiveness analyses should be forward looking, long-term and incremental to what would have occurred otherwise.

RNW and Climate Solutions also share PSE's concerns that a comparison to an avoided cost may not be appropriate in this instance. As PSE notes, it is possible that many measures, resources, and activities PSE may need to engage in are not cost effective under a traditional framework.¹⁰ Nevertheless, PSE needs to make some level of investments for meeting its Climate Commitment Act (CCA) compliance requirements and the state's emissions reduction targets. In this sense, the emissions reduction programs are akin to necessary capital investments in electric and gas transmission and distribution or electric generation. If an electric utility needs new electric generation to meet increasing demand, the Commission does not expect that the benefits outweigh the costs. The utility has an obligation to meet customer demand. Rather, the Commission expects the electric utility to consider several options and identify the electric generation project that maximizes benefits to customers and minimizes costs and risks. In other words, the Commission and the utility are considering the net benefits.

Conclusion

RNW and Climate Solutions appreciate the opportunity to submit these comments to the Commission. We look forward to further discussions and engagement on these topics. If you have any questions, please contact Katie Chamberlain at katherine@renewablenw.org and Megan Larkin at megan.larkin@climatesolutions.org.

Sincerely,

/s/ Katie Chamberlain

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¹⁰ Comments of Puget Sound Energy in Docket U-240281 – Commission rulemaking required to implement Engrossed Substitute House Bill 1589 (Chapter 351, Laws of 2024). June 24, 2024. Page 4.