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VIA ELECTRONIC FILING

Steven V. King
Executive Director and Secretary
State of Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Docket UE-161024: NW Natural's Comments – Rulemaking for Integrated Resource Planning, WAC 480-100-238, WAC 480-90-238 and WAC 480-107

Dear Mr. King,

Northwest Natural Gas Company ("NW Natural") submits these comments in response to the notice issued September 6, 2016, inviting written comments on the rulemaking in the above reference docket. NW Natural's comments are limited to responding to the Washington Utility and Transportation Commission's ("Commission") questions that sought input from natural gas utilities. NW Natural appreciates the opportunity to submit these comments and looks forward to working with the Commission on these issues.

Responses to Questions Provided in the September 6, 2016 Notice.

A. General:
1. The Commission has identified a broad scope of issues to evaluate in its inquiry. Are there other issues or topics that should be addressed? What type of schedule would best lend itself to a proceeding of this scope?

Response:

NW Natural believes that utilities, stakeholders, customers, WUTC Staff and the Commission would benefit from discussion of how natural gas LDCs should/can incorporate and evaluate environmental externalities and prospective environmental policy within the integrated resource planning process. Such a discussion may evolve into Commission guidance regarding these issues in the form of revised IRP rules. NW Natural believes its customers are better served by the company proactively addressing societal environmental concerns in its planning rather than predicting outcomes of prospective policy in its IRP and reacting post hoc to enacted policy.

While the current guidelines do not prohibit proactive action, the absence of specific guidance may inhibit a natural gas utility taking action when all meaningful evaluation of the decision making and analytical tools used take place in an after-the-fact prudence review. For example, can a natural gas utility include in its planning process a cost of pollutants equal to the price accepted by the U.S. Environmental Protection Agency (EPA) as opposed to the price uncertain policy is expected to impose on the utility going forward (which is a 20-year forecast of environmental policy enactment that is highly unlikely to be reasonably accurate)?

D. Avoided Costs

1. Avoided costs are used by utilities in multiple applications. They are used for determining rates for qualifying facilities in compliance with the Public Utility Regulatory Policy Act (PURPA), they are used for identifying cost-effective conservation measures, and they are used in determining the incremental cost of resources used for complying with the state's renewable portfolio standard. Despite their ubiquitous use, however, avoided costs can be difficult, if not impossible, to identify in current utility planning. Would it be feasible and beneficial for the utilities to transparently report their avoided costs in the IRP document? What obstacles exist that would complicate such a report? Would it be possible to create a generic avoided cost calculator that could be used to generate avoided costs for various applications? Should the included elements of avoided costs be different for different applications? Is the avoided cost methodology different for natural gas distribution utilities?

Response:

NW Natural believes it is feasible and beneficial for utilities to transparently report their avoided costs in their IRPs. If calculated correctly, avoided costs represent the expected cost to serve incremental load with supply-side resources, which is of interest to many parties. With improvements in quantitative software and continually improving energy usage data—from technological change related to metering and communication equipment—avoided costs can now be calculated more accurately than ever as the intricacies of customer use and the utility system used to serve customers become modeled with ever improving methods. However, since avoided cost calculations are complex and highly utility specific, NW Natural opposes the concept of creating a generic avoided cost calculator to generate avoided costs. While it is possible to create such a generic avoided cost calculator it is not advisable to do so as much of what can be gained from better software and metering and communication equipment would inevitably be lost with a generic approach.

Rather than drive towards a "standard" calculation, NW Natural feels it would be better to provide direction to utilities about what should be included in avoided costs for different applications, particularly electric IOUs vs. natural gas LDCs. Further guidance would help utilities develop the avoided cost calculation methodology best suited to the tools and information available to them (which varies greatly by utility). NW Natural feels that if avoided costs and their calculation methodologies are transparently included in the IRP, the IRP process

also allows stakeholders to review the avoided cost calculations of each utility to ensure the methodologies employed are the optimal ones for the tools available to the utility in question.

E. Transmission and distribution modeling

4. The natural gas IRP rule requires plans to include "an assessment of pipeline transmission capability and reliability and opportunities for additional pipeline transmission resources," but is silent on distribution system modeling. To what degree are gas utilities currently engaged in modeling their distribution system? Would it be beneficial for utilities to further engage in distribution system modeling? If so, is there commercially available software that is capable of meeting these modeling needs?

Response:

NW Natural is highly engaged in modeling the company's distribution system. The company uses ABB/Ventyx' Synergi™ software for this purpose and understands the software is commonly used by LDCs for such purposes. It also understands that utilities differ in how they use Synergi™ to model their distribution system.

NW Natural's distribution system modeling has evolved over time and continues to do so. The primary purpose is to identify specific issues in the company's distribution system and prioritize their resolution. NW Natural's planning process results in a 10-year system reinforcement plan the company uses as a roadmap for resolving distribution system issues.

NW Natural develops a system reinforcement plan by first assessing transmission and distribution system capabilities and requirements. This involves using multiple models of the company's distribution system in conjunction with criteria developed by its engineering staff to identify areas of existing weakness as well as areas of future concern. NW Natural uses related criteria to prioritize the resolution of each identified issue with transmission and high pressure distribution systems and, separately, to prioritize the resolution of each identified issue in the distribution system.

NW Natural uses the relative priority for issue resolution to assign each issue to one of three discrete periods in a 10-year planning horizon: one to three years; four to six years, and seven to 10 years. The company then develops a project to resolve each issue, with much greater specificity in terms of cost estimates, initial route selection, and analysis of alternative solutions for projects associated with issues slated for near-term resolution than for projects associated with issues to be resolved at a later time.

The compilation of criteria, identified issues, projects for resolving each identified issue, and categories of priority constitute a NW Natural system reinforcement plan. It is essential to periodically review system capabilities and requirements—both current and projected future—to

identify existing or possible future areas representing potential reliability issues under the company's design standards.

E. Transmission and distribution modeling

5. In recent years, other states have required or considered requiring utilities to engage in full-scale distribution system planning. What are the costs and obstacles associated with such a requirement? What are the benefits? Is detailed distribution planning feasible now, and if not, what is needed for it to become so?

Response:

NW Natural currently performs distribution system planning (see NW Natural's response to E. 4) and views detailed distribution planning as both important and currently feasible.

NW Natural expects the level of costs and, to a lesser extent, the number of obstacles associated with required distribution system planning to be highly dependent upon agreement regarding what level and frequency of distribution planning represents "full-scale." If "full-scale" means annual assessment of all aspects of NW Natural's distribution system, including high pressure systems, O&M costs for distribution system planning could increase significantly. Reduction from annual to a frequency of every five years would reduce incremental O&M costs commensurately.

However, obtaining the necessary information to assess "all" aspects—whether planning occurs on an annual or semi-decadal frequency—requires that NW Natural install a number of costly meters and related equipment. These are necessary to obtain information regarding the volume of gas flows under various load levels at some locations within NW Natural's system.

Additionally, NW Natural's distribution system planning includes many smaller projects the company believes are not controversial. A requirement to include such projects is unlikely to meaningfully increase transparency of the company's distribution system planning, but will potentially increase costs associated with compliance and reporting. As a result, and irrespective of what is determined to constitute full-scale distribution system planning, NW Natural sees a material obstacle removed by the use of a reasonable minimum cost threshold applied to distribution system projects for reporting or compliance purposes.

G. Procedural Improvements

4. Are there any improvements that could be made in the IRP reporting or review process? Staff will ensure rule language is simplified and written in terminology that promotes clarity and understanding for all stakeholders. Rules that are written in Plain Talk are easier to understand and implement consistently.

Response:

NW Natural does not have any specific improvements to offer related to this IRP reporting or review process.

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Sincerely,

/s/ Tamy S. Linver
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NW Natural