



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

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The Honorable Joe Nguyen
Chair, Senate Environment, Energy & Technology Committee
235 John A. Cherberg Building
Post Office Box 40434
Olympia, WA 98504

The Honorable Beth Doglio
Chair, House Environment & Energy Committee
318 John L. O'Brien Building
Post Office Box 40600
Olympia, WA 98504

RE: Decarbonization Pathways Study

Dear Committee Chairs Nguyen and Doglio:

In the 2022 Legislative Session, the Legislature appropriated to the Washington Utilities and Transportation Commission (“Commission”) in the 2021-23 biennial general fund operating budget (Ch 334, Laws 2021, Sec. 143(4)) a total of \$450,000 over two years for the purpose of “examin[ing] feasible and practical pathways for investor-owned utilities and natural gas utilities to contribute their share to greenhouse gas emissions reductions. . . .”

The Commission, in turn, contracted with Sustainability Solutions Group (“SSG”) to prepare and design the decarbonization pathways examination (“Pathways Study”). We attach for your review SSG’s final Pathways Study with Appendices.

For reference, the entirety of the budget proviso (“the proviso”) reads as follow:

Sec 143 (4)(a) \$251,000 of the general fund—state appropriation for fiscal year 2022 and \$199,000 of the general fund—state appropriation for fiscal year 2023 are provided solely for the commission to examine feasible and practical pathways for investor-owned electric and natural gas utilities to contribute their share to greenhouse gas emissions reductions as described in RCW 70A.45.020, and the impacts of energy decarbonization on residential and commercial customers and the electrical and natural gas utilities that serve them.

- (b) The examination required in (a) of this subsection must identify and consider:
 - (i) How natural gas utilities can decarbonize;
 - (ii) The impacts of increased electrification on the ability of electric utilities to deliver services to current natural gas customers reliably and affordably;
 - (iii) The ability of electric utilities to procure and deliver electric power to reliably meet that load;
 - (iv) The impact on regional electric system resource adequacy, and the transmission and distribution infrastructure requirements for such a transition;
 - (v) The costs and benefits to residential and commercial customers, including environmental, health, and economic benefits;
 - (vi) Equity considerations and impacts to low-income customers and highly impacted communities; and
 - (vii) Potential regulatory policy changes to facilitate decarbonization of the services that gas companies provide while ensuring customer rates are fair, just, reasonable, and sufficient.
- (c) The commission may require data and analysis from investor-owned natural gas and electric utilities, and consumer owned utilities may submit data to the commission to inform the investigation. The results of the examination must of the examination must be reported to the appropriate legislative committees by June 1, 2023.

We note several things in transmitting this report to you. First, the proviso directs that the results of the examination be reported to the appropriate legislative committees by June 1, 2023. As we have communicated to the committee chairs, the primary reason the Commission is late in providing this report is due to a longer than expected review of SSG's initial draft Pathways Study and redraft period. In short, there was a need to re-set mutual expectations on the scope and tone of the study as a document intended for policy use by the Legislature and Governor's office, resulting in significant edits to the document. We have kept you apprised of the need for additional time, and we very much appreciate that you have been understanding and accommodating the Commission in this delay.

Second, the proviso calls for an "examination" of decarbonization pathways. It does not call for the Commission to make recommendations. The Commission has been clear throughout the process that we interpreted the budget proviso language to required the Commission to identify and examine pathways, but not make recommendations. Thus, the final Pathways Study makes no recommendations, but addresses each of the criteria set forth in the proviso.

Third, as a point of interest, prior to and since 2022 when the Legislature directed the examination of decarbonization pathways in the budget proviso, other organizations have studied and reported on possible policy options and pathways for decarbonization, and several states are considering similar efforts, including the Washington State Department of Commerce in its 2021

State Energy Strategy¹. We include a few examples here.² Generally, the options identified in the Pathways Study are consistent with those identified in these other studies and reports.

Finally, we understand that some interested participants maintain and have voiced concerns about the engagement process and methodologies employed by SSG in development of the Pathways Study. See e.g., [Letter to Governor Inslee](#) dated December 18, 2023. While we recognize that there has been dissatisfaction with the process, we point to Appendix B, attached to the final Pathways Study, setting forth SSG's robust engagement process with a targeted cross-section of interested parties, as well as several opportunities for comment.

We appreciate your patience as the Commission worked to finalize the final Pathways Study, and submit it to you for your review. We look forward to discussing the Pathways Study with you and addressing any questions you might have. If you have questions or would like to discuss the Study with the Commission, please contact me at Dave.Danner@utc.wa.gov, or call me at (360) 664-1208.

Sincerely,

David W. Danner
Chair

¹ Washington's State Energy Strategy (2021) [Building Electrification - Washington State Department of Commerce](#).

² Massachusetts DPU Order 20-80 (2024) [Investigation Assessing the Future of Natural Gas in Massachusetts | Mass.gov](#); NRDC Progress Report: How States are Kicking Gas (2023) [Progress Report: How States Are Kicking Gas \(nrdc.org\)](#); Strategen, A Regulator's Blueprint for 21st Century Gas Utility Planning (2023) [A Regulator's Blueprint for 21st Century Gas Utility Planning — Strategen](#); Advanced Energy Economy (2023) [Impact of Electrification and Decarbonization on Gas Distribution Costs | ACEEE](#); Gridworks Gas Decommissioning Northern California Pilot (Current) [CEC Gas Decommissioning Northern California Pilot – Gridworks](#); American Gas Association (2022): [Pathways to Net-Zero - American Gas Association \(aga.org\)](#); Brattle Future of Gas Series (2021) [The Future of Gas Utilities Series - Brattle](#); Gridworks California's Gas System in Transition (2019) [Publications – Gridworks](#); NREL Gas Decarbonization Pathways Study (2015): [Pathways to Decarbonization: Natural Gas and Renewable Energy: Lessons Learned from Energy System Stakeholders — National Renewable Energy Laboratory \(nrel.gov\)](#).