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Kathy Hunter
Acting Executive Director and Secretary
Washington Utilities & Transportation Commission
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Re: U-230161, Cascade Comments

Director Hunter,

Cascade appreciates the opportunity to provide responses to the questions posed for the September 15 workshop.

1). What are the necessary elements for an equitable, fair, and reasonable risk-sharing mechanism, as required by Order 01 in Docket UG-230470?

The idea of a risk sharing mechanism is complex. A risk sharing mechanism must identify specific risk factors including: the level of risk exposure to specific stakeholders; the magnitude of risk for each stakeholder group; the timeframe and process to mitigate the risk; and the benefits and detriments of each proposed mechanism.

The risk associated with meeting compliance benchmarks is borne by the utility. The risk associated with decisions regarding how the utility meets compliance is also borne by the utility. As such it is the utility's burden to demonstrate how it has evaluated costs, process, and planning to meet compliance obligations when determining if the utility has been prudent in its actions and planning.

Some circumstance beyond the utility's control, such as extreme or unanticipated weather events, can place substantial risk on the utility's ability to achieve its targets at the end of a compliance period. In such cases, the Commission must weigh the evidence to determine how costs associated with these risks should be shared or absorbed between those impacted. The Commission has prudence standards that can be applied to decisions.

The Commission has processes in place to identify risk and identify the appropriateness of the utilities' risk mitigation efforts. The key tool or process is the IRP where various scenarios and outcomes can be planned for, and evaluated by, the stakeholders. This process also allows for adequate transparency and the ability to take into account Equity.

2). At what frequency, and under what conditions, should utilities be required to file CCA forecast updates, as required by Order 02 in Docket UE-220797?

Cascade proposes that forecasts be included in utility IRPs, which are updated every two years. Costs will be evaluated annually in cost recovery filings which can also be used to address any changes to the IRP planning results if necessary.

3). Under what circumstances should utilities create separate tariffs for recovery and pass-back of CCA costs and proceeds?

In Cascade's opinion, the Commission should require separate tariffs for recovery and pass-back of CCA costs and proceeds being deferred by Commission Order. The benefits include a separate filing with a focus on the prudence determination of costs and proceeds. This approach allows for true-up tracking and transparency amongst stakeholders and others.

4). Under what circumstances should utilities incorporate CCA costs and proceeds into general rate cases?

Cascade believes that if and when costs and proceeds reach stable and predictable amounts, it could be considered for placement in general rates. The volatility and unpredictable nature of CCA compliance costs make the process of using a rider with tracking a logical mechanism and approach for at least the next few years. Cascade anticipates that investments intended to be included in rate base will be general rate case items or possibly other rate recovery mechanisms.

5). In Workshop 2, interested persons indicated that utility Low-Income Advisory Groups were best situated to discuss the requirements concerning low-income customers under the CCA. Should the Commission convene a "Joint Low-Income Advisory Group," which could convene, discuss outstanding issues relating to low-income customers under the CCA, and submit a proposal to the Commissioners? The outstanding issues include those identified in the agenda for Workshop 2 and discussed in comments in this docket.

Cascade believes a joint advisory group proposal has merit particularly regarding identifying proposals and ideas to identify a deeper percentage of low-income customers.

6). What guidelines should the Commission issue to ensure long-term utility plans are

consistent with CCA rules? For example:

What should the ramifications be if a utility's long-term plans:

- 1) Exceed the emissions ceiling set by RCW 70A.45.020,
- 2) Require purchasing excessive price ceiling units pursuant to RCW 70A.65.160, or
- 3) Model allowance purchases that are greater than a utility's proportional share of statewide allowances?

In the case of the scenarios above, how should utilities demonstrate that decarbonization, or other methods for CCA compliance, are NOT the least reasonable cost pathway?

Cascade suggests the use of the IRP to demonstrate the Company's plans for compliance and the IRP process to evaluate the potentials and magnitudes of the examples provided.

- 1) **Exceeding emissions ceiling:** This would entail an IOU being out of compliance with the CCA provisions and would expose its employees, management, and board as well as other stakeholders to the enforcement provisions contemplated in the legislation, as well as creating the potential for significant to severe reputational damage that could affect the IOU's ability to function as an entity and raise the necessary capital for its ongoing and decarbonization requirements. WUTC guidelines should in fact require ongoing compliance to the CCA as a baseline operating principle.
- 2) **Require purchasing excessing price ceiling units:** Price ceiling units were included in the provisions of the CCA as a mechanism for entities to ensure that they remain in compliance with the emissions targets allocated to them. As such, their use can be driven by circumstances beyond the IOUs' control such as unanticipated emissions growth due to demand or spike, allowance market behavior that cannot be anticipated due to the volatile nature of markets in the early years of implementation, insufficient or delayed timing of guidance from DOE on topics such as the release of emissions information, DOE allowance issuance for auction, or changes to the program mechanisms, amongst others. WUTC should provide guidance on standards for prudent management of and the prudent use of the financial mechanisms available under the CCA, notably forward purchases, use of offsets, futures purchases, APCR auctions and the use of the two price levels and the circumstances under which the use of price ceiling units would be inappropriate.
- 3) **Model allowance purchases in a share greater than a proportionate share of statewide allowances:** There are many potential scenarios that could evolve over the compliance periods under the CCA that could change the proportionate share of state allowances versus an IOUs requirement, thus caution in setting such a requirement by WUTC is indicated. Additionally, for periods of time, it may in fact be a prudent strategy for an IOU to hold "excess" allowances. An example

would be the scenario where the IOU anticipates growth in their emissions profile and believes there is an opportunity to cost effectively manage that exposure.

In the case of the scenarios above, how should utilities demonstrate that decarbonization, or other methods for CCA compliance, are NOT the least reasonable cost pathway?”:

The IOU’s long-term plan and its scenario analysis should not consider the option of being out of compliance at any time. For the other scenarios noted above, the long-term plan should put forward the optimum use of all financial instruments available under the CCA as well as the usual array of asset changes and customer programs in the determination of the lowest cost trajectory. Included in that plan will necessarily be projections of the availability and cost of RNG, offsets, hydrogen (or another carrier) which, at this point in time, are quite uncertain. The long-term plan and its review and approval by WUTC should be conditioned by this uncertainty and be timely and flexible in its approaches while ensuring the core objectives of safe supply at reasonable price for the energy commodity and services be achieved. If the WUTC believes it is prudent and in the public interest to prioritize decarbonization and other methods of CCA compliance over the purchase of allowances, the WUTC may wish to consider allowing alternative means of valuation of these pathways in the context of IRP and rate-case review. This would help set parameters for the determination of prudence of decarbonization and renewables pathways when they do not model out under traditional LDC least-cost analysis but may otherwise be *best-cost* for meeting the long-term public interest and intent of the CCA and WUTC’s decarbonization goals and objectives.

7). Are there any other priority issues that have arisen since comments were last filed?

None at this time.

Cascade appreciates the opportunity to provide comments prior to the September 15 workshop.

If you have any questions, please direct them to me at (509) 528-9223.

Sincerely,

/s/ Michael Parvinen

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