

October 28, 2020

**VIA EMAIL**

Chair Megan Decker, Commissioner Letha Tawney, and  
Commissioner Mark Thompson  
Public Utility Commission of Oregon  
Attention: Filing Center  
201 High Street SE, Suite 100  
Salem, Oregon 97308-1088

**RE: Executive Order 20-04 Work Plan—NW Natural Comments**

Chair Decker, Commissioner Tawney, and Commissioner Thompson:

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), appreciates the opportunity to comment on the Public Utility Commission of Oregon's ("Commission") work plan to help reduce greenhouse gas ("GHG") emissions in accordance with Executive Order No. 20-04 ("EO 20-04"). NW Natural welcomes the Commission developing this thoughtful and comprehensive plan, and for providing visibility of all actions that the Commission is planning to undertake to achieve the goals of EO 20-04.

As NW Natural stated in our June 15 comments on the Commission's EO 20-04 report, we intend to be a leader among natural gas utilities in reducing GHG emissions by acquiring renewable natural gas, exploring power-to-gas technology, and pursuing other GHG reduction activities. These activities are consistent with NW Natural's long history of environmental stewardship. As EO 20-04 is implemented, both by the Commission and by other state agencies, NW Natural is committed to achieving emissions reductions in such a way that keeps the energy system in the Pacific Northwest as safe, reliable and affordable as possible.

The EO 20-04 must also be implemented in a way that is consistent with the Commission's primary statutory role of ensuring that Oregonians have access to safe, reliable utility service at fair and reasonable rates.<sup>1</sup> As stated in our June 15 comments, we urge the Commission to evaluate each action it proposes to take in response to EO 20-04 in light of its statutory obligations to ensure that Oregonians have access to affordable utility service across all fuel sources. Moreover, the Commission should ensure that it continues to impose or disallow costs consistent with its statutory

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<sup>1</sup> ORS 756.040.

authority, which EO 20-04 does not alter.<sup>2</sup>

NW Natural has organized its comments in the same manner as the Commission’s work plan. First, we will discuss “GHG Reduction Activities.” This is further broken up into: 1) “Utility Planning,” 2) “Utility Services and Activities,” and 3) “Transportation Electrification.” Next, the Company will discuss “Impacted Communities.” Finally, NW Natural’s comments briefly touch on “Wildfire Planning and Collaboration.” Since many of items listed in the work plan will require more detail and their own individual processes, NW Natural’s comments are not exhaustive and represent its initial reactions to the work plan. As these plans and processes develop and evolve, NW Natural will have additional comments.

## **GHG Reduction**

### *Utility Planning*

Clarification of Application of the Work Plan to Gas or Electric Utilities. NW Natural suggests that the work plan clarify whether certain items apply to gas utilities, electric utilities, or both. Several items in “Utility Planning,” for example, appear to only apply to electric utilities, such as an assessment of non-emitting baseload generation and documenting GHG emissions associated with “sales for resale” from fossil fueled resources.<sup>3</sup> Similarly, items related to distribution system planning and distributed energy resources in the “Utility Services and Activities” are focused on electric utilities, but this is not explicitly stated.<sup>4</sup> Clarifying what types of utilities are subject to the various items in the work plan can also help new stakeholders better understand the plan, as well as provide better clarity to utilities.

Timeline to Change Integrated Resource Plan (“IRP”) Guidelines: Section 1.1, Update IRP Guidelines for GHG Costs & Risks, lists “various strategies could be used to surface useful GHG emission impacts in IRPs.” One such strategy in the Portfolio Development subsection is “[a]ssess[ing] Costs/Risk of missing EO 20-04 emission targets.” While EO 20-04 sets statewide GHG reduction goals, it does not establish GHG reduction goals for specific entities or industry sectors. For several industries, including natural gas utilities, EO 20-04 requires the DEQ to establish a cap on emissions that will be reduced over time. But how that cap will be set for individual entities and what types of alternative compliance mechanisms that will be available to assist entities in meeting the cap are currently unclear. This makes it difficult to assess

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<sup>2</sup> See Senate Bill 978 (SB 978) Report on Actively Adapting to the Changing Electricity Sector, available at: <https://www.oregon.gov/puc/utilities/Documents/SB978LegislativeReport-2018.pdf>, at 13 (“The Commission’s current statutory authority does not allow it to impose on the utility, directly or indirectly, environmental costs that the utility is not otherwise legally required to bear,” and “statutes require regulation of the cost of providing energy to consumers, rather than the environmental consequences of providing energy to consumers.”).

<sup>3</sup> Section 1.1 of EO 20-04 Work Plan.

<sup>4</sup> *Id.* at pages 13-14.

whether a utility is meeting its EO 20-04 emission targets, or even what those targets are.

NW Natural is also concerned that the timelines for implementing changes to IRP guidelines are not sufficiently aligned with DEQ's timeline to establish its cap-and-reduce program. The Commission plans to complete these changes by January 2021, yet DEQ will not complete its cap-and-reduce rulemaking until later that year. Since IRPs are designed to "reflect what [a utility] considers to be the most likely regulatory compliance future for carbon dioxide (CO<sub>2</sub>),"<sup>5</sup> it will be extremely difficult to construct a base case without knowing how the cap-and-reduce program will be structured and thus, would be difficult to evaluate the merits of prospective guidelines.

In NW Natural's 2018 IRP, Commission Staff "expressed concerns about the difficulty of accurately predicting greenhouse gas policy outcomes . . .".<sup>6</sup> These policy outcomes are in more flux today than they were at the time of the last IRP. Due to this uncertainty, NW Natural respectfully requests that the timelines in this part of the work plan be made consistent with DEQ's cap-and-reduce rulemaking timeline for those utilities that will be subject to the cap-and-reduce program.

Beneficial Electrification: In Section 1.1, Update IRP Guidelines for GHG Costs & Risks, further clarification is needed regarding the work plan's development of "a portfolio sensitivity for a high level of near-term, beneficial electrification and electric vehicle adoption." While the EO 20-04 directs specific actions be taken to encourage the electrification of transportation, it does not contemplate the electrification of any other activity or industry. We are concerned that the phrase "beneficial electrification" could be interpreted to be separate from transportation electrification. In particular, we would caution against a presumption that the electrification of activities and industries besides transportation results in (or is equivalent to) decarbonization. Oregon has a much more carbon intensive electricity supply than California, Washington, or British Columbia, with the investor-owned utilities ("IOUs") in the state being responsible for most of these emissions. Eight out of nine Oregon natural gas utility customers are also customers of the electric IOUs serving the state, so in many cases electrification of natural gas utility load would result in increased emissions for the foreseeable future. Even in the most optimistic scenarios, electrification would not provide both emissions reductions and cost savings to customers.

Given this, we believe that this part of the work plan should solely focus on transportation electrification so that it is consistent with EO 20-04. If, however, the Commission wants a broader examination of "beneficial electrification" beyond the transportation sector, there must be additional discussions to define "beneficial" and further analysis to determine how to apply that definition to various uses of energy. The Commission would also have to determine under what conditions this standard actually

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<sup>5</sup> In the Matter of the Public Utility Commission of Oregon, Investigation into the Treatment of CO<sub>2</sub> Risk in the Integrated Resource Planning Process, UM 1302, Order No. 08-339, at 9 (2008).

<sup>6</sup> In the Matter of Northwest Natural Gas Company, dba NW Natural, 2018 Integrated Resource Plan, LC 71, Order No. 19-073, Appendix A at 15 (2019).

applies to regulated utilities. Definitions of “beneficial,” such as the one used by the Regulatory Assistance Project, examine whether electrification meets one or more of the following three conditions without adversely affecting the others: 1) save consumers money over the long run, 2) enable better grid management, and 3) reduce negative environmental impacts (for purposes of EO 20-04, reduce GHG emissions).<sup>7</sup> NW Natural does not believe that this work should take place within the IRPs of the individual utilities regulated by the Commission, but rather should occur on a broader level to inform IRP Guidelines.

Carbon Intensity: In Section 1.1, Update IRP Guidelines for GHG Costs & Risks, the work plan contemplates utilities reporting the carbon intensity of all portfolios, including how RNG impacts carbon intensity. NW Natural believes that focusing on carbon intensity may obscure the importance of other emissions reduction actions, such as energy efficiency. For example, a portfolio of high RNG and low energy efficiency could simultaneously have both a lower carbon intensity and higher overall emissions compared to an alternative portfolio of low RNG and high energy efficiency.

Carbon Pricing: In Section 2, Identify Carbon Price Approaches, the work plan identifies several carbon price approaches, but it does not mention the cap-and-reduce program. NW Natural believes that the costs to comply with the cap-and-reduce program are the costs that the Company will be exposed to in the near-term. NW Natural, however, supports using the social cost of carbon for utility planning purposes (including in avoided cost filings). We also recommend that both identifying carbon price approaches and incorporating the social cost of carbon proceed on the same schedule so that they can be considered holistically.

Procurement: The Commission should clarify whether (and how) this section of the work plan would apply to natural gas utilities.<sup>8</sup> Historically the Commission’s procurement rules have focused mainly on major resource acquisitions made by electric IOUs. The IRP procurement guideline (Guideline 13) in Order No. 07-002 is much more prescriptive for electric IOUs as compared to natural gas utilities.<sup>9</sup> If the Commission is planning to change this approach, it should seek input from the affected utilities and other relevant stakeholders, and consider whether any proposed changes would be within the existing limits of the Commission’s authority.

Commission Collaboration on Cap-and-Reduce: NW Natural appreciates the Commission taking proactive steps to collaborate with DEQ and the Environmental Quality Commission on the cap-and-reduce program and the Clean Fuel Standard.<sup>10</sup>

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<sup>7</sup> Beneficial Electrification: Ensuring Electrification in the Public Interest, Regulatory Assistance Project, available at: <https://www.raponline.org/knowledge-center/beneficial-electrification-ensuring-electrification-public-interest/>.

<sup>8</sup> Section 4 of EO 20-04 Work Plan.

<sup>9</sup> In the Matter of the Public Utility Commission of Oregon, Investigation into Integrated Resource Planning, UM 1056, Order No. 07-002, at 22-24 (2007).

<sup>10</sup> Section 5.2 of EO 20-04 Work Plan.

NW Natural continues to believe that the Commission’s participation will provide important context on how utilities are regulated and how compliance with the programs will impact customers’ rates.

Interaction of SB 844, SB 98, and EO 20-04: NW Natural appreciates the Commission sharing its plans for evaluating SB 844 and how it interacts with SB 98 and EO 20-04.<sup>11</sup> Although the Commission has not yet approved a SB 844 project, NW Natural believes that we need as many tools as possible to meet the ambitious GHG reduction goals in EO 20-04. This would include those projects that, absent SB 844, a utility would not pursue in the ordinary course of business. For example, NW Natural is interested in pursuing hydrogen as a decarbonization source through power-to-gas projects. Since this is a relatively new technology and the project is small in scale, its per-unit costs are high compared to other sources of renewable natural gas, and it would not be selected in an IRP or as a SB 98 project. Consequently, without SB 844 or a similar mechanism, NW Natural would not be able to pursue this project. Power-to-gas, however, has many potential benefits, such as providing a means to effectively store renewable electricity over the long-term and to further decarbonize the natural gas system. SB 844 provides a mechanism for NW Natural to pursue this project, which may ultimately lead to advances in technology that drive substantial GHG reductions in the future.

NW Natural also appreciates the Commission taking further steps to implement SB 98. The Commission’s work plan appears to be consistent with its recently adopted SB 98 rules, and will assist NW Natural in acquiring renewable natural gas for its customers.

### *Utility Services and Activities*

Green Tariffs: NW Natural continues to support the establishment of voluntary green tariffs targeted toward reducing utilities’ GHG emissions and their contributions towards reducing compliance obligations associated with those emissions. The Commission’s work plan states that it intends to explore green tariffs on a “community-wide” basis for those customers that want to exceed the Renewable Portfolio Standard.<sup>12</sup> As a natural gas utility, NW Natural is not subject to the Renewable Portfolio Standard. However, as noted in its June 15 comments, NW Natural intends to offer green tariffs to its large customers and residential customers on a community-wide basis, before offering similar green tariff options to our residential customers and compressed renewable natural gas for vehicles.

Require Energy Trust of Oregon to Report on GHG Emissions: On page 13, the work plan requires “Energy Trust of Oregon to report on GHG emissions avoided through energy efficiency programs on behalf of utilities.” While avoiding emissions are helpful in ensuring that emissions do not increase from present levels, they are calculated using a theoretical baseline of emissions and, as such, may not represent the actual emissions reductions that EO 20-04 targets. Reporting these “avoided emissions” may

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<sup>11</sup> *Id.* at section 5.1.

<sup>12</sup> *Id.* at page 12.

lead stakeholders to conflate them with actual emission reductions. Any GHG reductions will be apparent in data reported by the utilities.

Targeted Replacement of Wood Burning Stoves: With respect to the targeted replacement of wood-burning stoves on page 14, NW Natural does not believe that this action item should be solely limited to ductless heat pump technology. Instead Commission Staff should be fuel neutral in its approach, and consider natural gas alternatives that also reduce emissions.

Measuring GHG Reduction Impacts of Existing Customer Programs and Products: With respect to the Second Year Goals on page 14, NW Natural strongly believes that customer programs and products that reduce GHG emissions should reduce a utility's compliance obligations. These programs would include NW Natural's Smart Energy program and voluntary green tariffs that NW Natural is developing. Both of these programs reduce GHG emissions and should be credited as such.

Demand-Side Management Programs for Transportation Customers: NW Natural is open to exploring voluntary demand-side management programs for its transportation customers. In exploring these types of programs, NW Natural and its stakeholders would need to gain a better understanding of how to quantify the "health equity benefits" of any such program. NW Natural is supportive of examining these types of benefits, but it is not clear who is in the best position to conduct that type of analysis.

## **Impacted Communities**

NW Natural continues to strongly support the Commission emphasizing and prioritizing activities focused on impacted communities, such as hiring a Diversity, Equity, and Inclusion ("DEI") Outreach Coordinator, developing an agency DEI Operations Plan, and continuing its internal Low-Income Roundtable.

Due to COVID-19 and its impact on low-income communities, these activities are more important than ever. During these difficult times, Oregon's regulated utilities have collaborated with Commission Staff and a diverse group of stakeholders on a stipulation that provides a robust response to the pandemic, including extending the moratorium on residential disconnections for non-payment until April 1, 2021 and an arrearage forgiveness program. NW Natural is looking forward to further collaborating with these stakeholders, as well as stakeholders that are new to the regulatory process, to better serve these communities. Lastly, we are happy to assist the Commission in developing introductory materials identified in the work plan to bring people to assist stakeholders that are new to the regulatory process.

## **Wildfire Prevention and Mitigation**

While this portion of EO 20-04 is directed at electric utilities, recent wildfire events have shown how natural gas utilities and our customers can also be impacted by wildfires. NW Natural intends to observe these planned proceedings, and potentially participate if

there is overlap with the natural gas industry. For example, there may be opportunities to support forest management and fire mitigation by using woody biomass from the forest floor as a source for renewable natural gas, which also supports EO-20-04 by decarbonizing the energy supply and creating green jobs in Oregon.

Thank you again for the opportunity to comment on the Commission's work plan. NW Natural looks forward to working with the Commission and other stakeholders to further develop this plan. If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Zachary Kravitz*

Zachary Kravitz  
NW Natural  
Director, Rates and Regulatory Affairs  
250 SW Taylor Street Portland, OR 97204  
503-610-7617  
zachary.kravitz@nwnatural.com