Cascade Natural Gas Corporation

Please see attached comment document for Cascade Natural Gas Corporation

CASCADE NATURAL GAS
CORPORATION
A Subsidiary of MDU Resources Group, Inc.

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Submitted electronically to Washington Department of Ecology via Ecology's public comment website at https://aq.ecology.commentinput.com/?id=9m3jh

November 16th, 2021

Rachel Assink
Department of Ecology
Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

Dear Ms. Assink:

Cascade Natural Gas Corporation (Cascade) appreciates the opportunity to provide comments on the Department of Ecology (Ecology) proposed amendments to Chapter 173-441 WAC, Reporting of Emissions of Greenhouse Gases (GHG). Ecology was directed to make amendments to this rule per Section 33 of the Climate Commitment Act (CCA) that passed in 2021. We appreciate Ecology's engagement with stakeholders through this rulemaking process and look forward to working with Ecology in finalizing this rulemaking considering our recommendations in our comments below. We also look forward to engaging with the agency in the development of other upcoming rulemaking per the CCA for maximizing GHG emissions reductions in a manner equitable for all Washingtonians.

<u>About Cascade Natural Gas Corporation:</u>

Cascade is a local distribution company (LDC) and was formed in 1953 to serve communities in Oregon and Washington with clean, affordable natural gas. Cascade serves a diverse territory covering more than 32,000 square miles. Interstate pipelines transmit Cascade's natural gas from production areas in the Rocky Mountains and western Canada to rural areas that rely on natural gas. Throughout our service areas, our focus is on maintaining safety, comfort, affordable rates and reliability for our customers. Today, Cascade serves nearly 300,000 customers located in smaller, mostly rural communities across Washington and Oregon.

Cascade is depended upon as an essential energy provider in Washington and will continue supplying our customers with clean, reliable, and affordable energy. Today, our utility operates extensive infrastructure that should be leveraged in the future to deliver a blend of low-carbon fuels, including renewable natural gas (RNG) and hydrogen. Our infrastructure also serves an essential role in addressing reliability challenges associated with intermittent renewable resources and the resilience of the overall energy system—especially in remote areas—as demonstrated by increasingly extreme weather conditions.

We share a strong commitment to addressing climate change and supporting the communities we serve. Cascade has steadfastly supported energy efficiency innovation efforts through a long-standing Energy Efficiency Incentive Program in Washington, supported local community and climate action partners, participated as a founding partner of the Methane Challenge Program,[1] and is actively exploring RNG opportunities for customers.

We recommend the following modifications to Ecology's proposed GHG reporting rule amendments.

<u>Comments</u>

<u>LDC Reporting of Large End User Emissions</u>

Per Ecology's proposed definition of a Large End User, a Large End User is a facility that emits 10,000 metric tons of CO_2e or more per year. Under WAC 173-441-122(4)(b)(vi), Cascade's understanding is that LDCs will be required to report the emissions from natural gas delivered to and combusted by any Large End User that meets Ecology's definition. For LDCs to report this data, Ecology will need to provide LDCs a list of Large End Users as we would not know whether these customers meet the 10,000 metric ton emissions threshold solely from the combustion of natural gas an LDC annually delivers, or from combustion of natural gas along with another fuel not procured from the LDC. Cascade is informing Ecology of the need to provide an annual list of Large End Users to LDCs to ensure we can match up these entities with our customer lists to ensure accurate reporting was completed.

<u>Biomethane or Renewable Methane Emissions Consideration and Calculations</u>

Cascade urges Ecology to amend section WAC 173-441-122 section (4)(b) to ensure all types of contractual arrangements are recognized for calculating and reporting additional biomass-derived fuel emissions in this rule. Please consider that nominating biomethane to a pipeline is the same as fossil natural gas nominations and in both cases may not result in the contracted gas being physically delivered to end users and combusted. This is a similar concept as an electric utility purchasing renewable electricity for its customers where the actual renewable generation resource electrons may not be physically delivered to the utility customers. The California Air Resources Board (CARB) recognizes and addresses this concept by including additional types of biomass-derived fuel contractual arrangements in their emissions reporting requirements and those additional biomass-derived emissions qualify for emissions reductions. Purchase contracts are used to demonstrate that biomethane was procured and received by a covered entity in reporting these emissions to CARB whether or not the biomethane molecules are physically delivered. Receipt of the biomethane does not necessarily mean that these molecules were delivered to a specific location, but rather that the biomethane procurement benefitted the system as a whole.

[1] Cascade Natural Gas, *Environmental Priorities*, https://www.cngc.com/in-the-community/environmental-priorities/ (last visited Nov. 16, 2021).

An example of an additional contractual situation Cascade requests Ecology to include in reporting is where a contractual arrangement demonstrates a biomethane fuel marketer or seller engaged in a "swap" of biomethane for natural gas that was ultimately delivered to a covered entity. This includes contractual arrangements to procure out-of-state biomethane. These emissions accounting methodologies are explained under Section 4.2 of CARB's *Biomass-Derived Fuels Guidance*[2] and in California's electronic GHG reporting tool (Cal-eGGRT)[3]. See also EPA's understanding on this concept in their Overview of Renewable Natural Gas from Biogas[4].

Further, and per RNG provisions adopted in 2019 under HB 1257, LDCs in Washington must offer voluntary RNG service opportunities to customers through a tariff and the Washington Utilities and Transportation Commission (WUTC) has established guidance for this RNG program on December 16, 2020[5]. The program guidance considers allowing LDCs to acquire RNG environmental attributes or thermal credits, such as out-of-state credits purchased through M-RETS, to satisfy the emissions reductions within that program. Cascade requests Ecology to recognize the emissions reductions associated with the WUTC RNG Program environmental attributes and thermal credits within the agency's GHG Reporting Rule amendments to ensure the WUTC RNG Program reductions qualify for compliance in the upcoming CCA Program Rule WAC 173-446.

Also, as California has developed reporting tools and spreadsheets to accommodate biomethane reporting from covered entities, we recommend Ecology reach out to CARB to request copies of these reporting tools for use by LDCs to report emissions under Ecology's GHG Reporting Rule, especially as 40 C.F.R. Part 98 Subpart NN does not include spreadsheet tools or instructions on reporting biomethane.

In summary, we recommend Ecology consider the biomethane reporting methodologies adopted by CARB and in Cal eGGRT reporting tools for including biomethane emissions in LDC reporting. This would maintain consistency with a program Ecology could link to in the future and will ultimately provide a higher emissions reduction impact for LDCs and Washington. We also request the ability to include reporting of biomethane emissions from acquiring RNG environmental attributes or thermal credits through M-RETS that is considered within the WUTC RNG Program guidance. To incorporate Cascade's recommendations, modifications would be needed within the GHG Reporting Rule sections, including that "delivered" gas includes biomethane, biogas, and biomass-derived fuels that are procured via the methodologies explained within CARB guidance as discussed above.

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[2] https://www.arb.ca.gov/cc/reporting/ghg-rep/guidance/biomass.pdf
[3] https://ww2.arb.ca.gov/mrr-tool
[4] EPA, *An Overview of Renewable Natural Gas from Biogas*, 1, (July 2020), https://www.epa.gov/sites/default/files/2020-07/documents/lmop_rng_document.pdf ("EPA encourages the recovery and beneficial use of biogas as a renewable energy resource, including the production of renewable natural gas (RNG) when feasible, as a means of reducing emissions and providing other environmental benefits.").
[5] Docket U-190818 Report and Policy Statement on Investigation of Renewable Natural Gas Programmatic Design and Pipeline Safety Standards, December 16, 2020.

Linkage, Schedule, and Other Considerations

Cascade encourages Ecology to implement all CCA rulemakings, including the GHG Reporting Rule, with the goal of allowing linkage with other jurisdictions. Ecology is supported in creating linkages with other jurisdictions through statute RCW 70A.65.210 and linkages would provide increased cost-effectiveness for ultimate emissions reduction rule compliance.

Ecology should ensure the GHG Reporting Rule language remains consistent with the recently commenced CCA Program rulemaking WAC 173-446 by allowing LDCs to utilize all applicable types of low carbon fuels and emissions reduction options for compliance including, but not limited to, hydrogen, synthetic methane, near-net zero gas equipment and technologies, Certified Natural Gas, carbon sequestration projects, and other GHG reduction activities, as well as low carbon fuel environmental attributes. With the complexities of interconnections between the GHG Reporting Rule WAC 173-441 and CCA Program Rule WAC 173-446, we recommend Ecology maintain flexibility in adjusting these rules going forward until the entire group of CCA rulemakings are final, which is projected to be Fall 2022, and take any additional time beyond that date to complete all the rulemakings to ensure consistency and for the best synergy.

Again, Cascade appreciates the opportunity to provide input to Ecology on this rulemaking. If you have any questions or would like to discuss these comments, please contact me at abbie.krebsbach@mdu.com or 701-222-7844.

Sincerely,

Abbie Krebsbach
Director of Environmental

cc: Cory Fong – Director of Governmental Affairs and Communication
Scott Madison – Executive VP, Business Development & Gas Supply
Lori Blattner – Director of Regulatory Affairs
Alyn Spector – Manager, Energy Efficiency Policy
Monica Cowlishaw – Manager, Energy Efficiency & Community Outreach