



In the Community to Serve®

Targeted TAG #2 – TAG Meeting

Date & time: 02/15/2024, 9:00 AM to 10:30 AM

Location: Microsoft Teams Meeting

Presenters: Brian Robertson, Jenny DeBoer, Bailey Steeves

In attendance: Abbie Krebsbach, Alessandra De La Torre, Bailey Steeves, Brian Robertson, Bruce Folsom, Byron Harmon, Caleb Reimer, Carolyn Stone, Chris Robbins, Devin McGreal, Eric Shierman, Eric Wood, Heather Moline, Jaclynn Simmons, Jenny DeBoer, John Garrett, Joshua Dennis, Kary Burin, Kathleen Campbell, Kim Herb, Kyle Griffiths, Mahon Walsh, Mark Chiles, Mark Sellers-Vaughn, Matt Steele, Matthew Doyle, Michael Freels, Michael Parvinen, Paul Barrager, Quinn Weber, Rachel Preece, Rebecca Eaton, Renie Sorensen, Samantha Christenson, Sofya Atitsogbe, Ted Drennan, Tom Pardee, Wesley Franks, Will Gehrke, Zachary Soward

Brian Robertson, Supervisor of Resource Planning, opened the meeting by welcoming and thanking stakeholders for participating in Cascade's IRP Process. Brian reminded folks that we wouldn't be doing introductions at the beginning of the meeting but asked if/when people interjected throughout the meeting to please introduce themselves. Brian also mentioned that Cascade will be responding to questions it received prior to the meeting by WUTC throughout the presentation. Responses to those can be found in the Feedback Report on the Company's webpage.

Presentation Topic #1 – Safety Moment (Jenny DeBoer)

- Jenny provided a presentation on walking safely on snow and ice.

Presentation Topic #2 – Avoided Cost Methodology (Bailey Steeves)

- Bailey began the presentation with a quick overview of what the avoided cost model is.
- Bailey then went through the formula at a high level before jumping into deeper detail for each variable in the next slides.
- There was some discussion around the geometric Brownian motion and how Cascade does its Monte Carlo simulations for price. More information can be found in the Feedback Report on the Company's webpage.
- There was another question regarding a decline in customer count and how that would impact the storage element of the avoided cost. Cascade responded that prices are generally cheaper in the summer than the winter, so storage has a price arbitrage element that is a net positive and wouldn't make sense to avoid.
- There was another question regarding integrity vs growth when it comes to distribution system modeling. Cascade stated there is some language in the IRP regarding that but will provide further clarification if needed.
- Bailey continued to presentation and brought up a question Cascade has for stakeholders; RCW80.28.395 requires the use of the Social Cost of Carbon (SCC) to value the cost of greenhouse gas emissions. Cascade stated that with the passing of the Climate Commitment Act that the marginal compliance cost should be considered over the SCC. Cascade opened this up

for discussion. WUTC Staff stated that they viewed the SCC as an externalized cost of carbon upon the public and the CCA is more about a market pressure in order to kind of put a cost on emissions in order to guide the reduction in emissions. Cascade opened it up to others where NWN had stated they use the maximum of the SCC and the CCA marginal cost. Staff then reiterated that there isn't guidance from the Commission on this topic, so whichever direction Cascade chooses to make sure it's fully explained in the IRP.

- Bailey then proceeded to provide an example of how distribution system costs are incorporated into the avoided cost model.
- Staff had another question regarding a risk regarding system instability related to both the housing or building code statutes on book and how declining customers may create an exponential increase in bills for those who remain on the system. Staff's question is whether there is an avoided cost by keeping customers on the system. Cascade thought this was an interesting idea but did not have a response as the Company needed time to consider the assumptions and how to quantify the calculation. Cascade also asked Staff to provide thoughts on how this may be quantified, in which Staff agreed to provide thoughts within a week.
- Staff had asked another question regarding the avoided cost model and how it generally assumes growth "if the were to go up and then down, could this be used as a measurement for the cost of stranded assets and anticipating whether assets would be stranded?" Cascade told Staff that Cascade would take that back and consider it for inclusion in the avoided cost model.
- Staff asked about a price floor when it came to modeling Monte Carlo simulations with price. Cascade stated that although it is unlikely, it is possible for gas prices to drop below 0. These mainly happen in rare instances where suppliers need to move gas when there is very little to no demand.
- Bailey then finished up with a discussion around normal vs lognormal distributions, stochastic pricing, and the risk-adjusted risk premium final calculation. Bailey also mentioned that we'll continue to use the 10% environmental adder.
- Brian presented the upstream emission rate. During this presentation Brian clarified what was in the remaining 6.6% of natural gas makeup and that the upstream emission loss factor included cascade's distribution system loss rate. Staff was curious if the Company could provide an analysis of purchases vs actual use, which Cascade agreed to looking into.

Presentation Topic #3 – Feedback for Cascade (Brian Robertson)

- Brian opened it up again for feedback and reminded everyone that Cascade is happy to get feedback even after the meeting.

Presentation Topic #4 – 2025 IRP Timeline (Brian Robertson)

- Brian reminded stakeholders that the Targeted TAG for Distribution System Modeling and Customer/Load forecast would be flipped. The April 25th Targeted TAG meeting is being moved to May 7th. Finally, the May 31st meeting will be held on Thursday, May 30th.

Presentation Topic #5 – Next Steps (Brian Robertson)

- The next Targeted TAG meeting will discuss Energy Efficiency and be held on Wednesday, March 6th.

The Meeting was Adjourned

Per Cascade Commitment #8 (Stakeholder Engagement Design Document, 2/22,2022: "Provide TAG minutes that include the action items from bullet #7 as well as any upcoming deadlines for feedback on the IRP"), here are additional action items to track, coming out of the Targeted TAG 2 meeting:

1. Cascade will consider risk around the instability of declining customer growth in the avoided cost model.

2. Cascade will provide detail in the IRP as to how it handles SCC and marginal compliance costs from the CCA.
3. Cascade will consider how declining customer growth could be used to measure the cost of a stranded asset.
4. Cascade will analyze the demand vs purchased supply to compare vs the loss rate used in the upstream emissions calculation.