



October 27, 2021

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Submitted to: kim.herb@puc.oregon.gov and OPUC Filing Center

**RE: Docket No. UM 2178 - Natural Gas Fact Finding Comments on Regulatory Tools**

Dear Ms. Herb,

Please accept the following comments from the Northwest Gas Association (NWGA) to the Docket No. UM 2178, the Natural Gas Fact Finding (NGFF) effort regarding Executive Order No. 20-04. These comments will address the regulatory tools the Commission may consider in the future as discussed during workshop 4a and 4b.

The NWGA represents the three multi-state natural gas utilities and two interstate transmission pipelines that provide warmth and comfort to 800,000 Oregon households, and productive energy for 85,000 Oregon businesses and institutions. NWGA members support and are actively engaged in reducing regional greenhouse gas emissions. There is a meaningful role to be played by smartly utilizing the natural gas transmission and distribution systems in Oregon, a safe and reliable energy delivery infrastructure that spans 30,000 miles .

This fact-finding exercise is important to help regulators better understand the potential impacts associated with the emission reduction targets outlined in the Governor's Executive Order 20-04. The regulatory compact requires the Commission to ensure healthy utilities that reliably deliver requisite energy to consumers at just and reasonable rates. Staff recognized this mandate in the NGFF Overview they provided ahead of Workshop 1, wherein they defined the purpose of the workshops:

"...to analyze the potential natural gas utility bill impacts that may result from limiting GHG emissions of regulated natural gas utilities under the DEQ's Climate Protection Program and to suggest appropriate regulatory tools to mitigate potential ratepayer impacts. The goal of the Fact Finding will be to inform future policy decisions and other key analyses to be considered in 2022, once the CPP is in place."

Given this mandate, it is crucial that the Commission consider a wide range of pathways towards decarbonization and associated impacts. The regulatory tools should be flexible and reward innovation.

In our view, the discussion during Workshop 4 diverged from the stated NGFF purpose beginning with the matrix provided developed by the Regulatory Assistance Project (RAP) and provided by staff in advance of the workshop. The matrix included very little in the way of tools that NWGA members could use to mitigate ratepayer impacts resulting from

compliance with DEQ's CPP. Instead, the tools listed were about electrification and eliminating the use of natural gas.

RAP also made other statements that showed a bias for electrification as the preferred, if not exclusive, path to meeting the state's GHG reduction goals. Additionally, several prompts in the matrix seemed to encourage discontinuation of fuel neutrality and moving natural gas customers towards electrification. While OPUC staff has generally hewed closely to its stated scope through the NGFF, Workshop 4 was off base.

The NGFF should focus on ratemaking tools that lead to an actual reduction of carbon while reducing the financial impacts to customers. GHG emissions reductions should be quantifiable and verifiable while minimizing unintended consequences or economic harm. Such tools could include a review of rate designs to improve energy efficiency, low-income rates, or performance-based ratemaking to reduce barriers and increase incentives for natural gas utilities to decarbonize the emissions of natural gas consumers.

The pathways identified by the RAP appear to be based on unexamined assumptions regarding the viability of electrification as the sole tool for achieving decarbonization. Premature conclusions will limit the pathways to decarbonization by centering prescriptive solutions over more dynamic, flexible, and inclusive approaches to GHG emissions reductions.

Reducing GHG emissions is the goal. Electrification does NOT equal decarbonization and focusing on just one solution unnecessarily limits the regulatory tools available to the Commission. Instead, the Commission should focus on best cost solutions that limit harm to natural gas consumers, properly assess resource adequacy, and soften impacts on the broader economy.

It is troubling that more effort hasn't been given to regulatory tools that will reduce financial impacts to natural gas utility customers – especially because independent analysis, reports, and studies from across the country show that gaseous fuels paired with energy efficiency and strategically targeted electrification provides a more effective and economically viable strategy for decarbonization.

Electrification is an important and complex topic that is beyond the stated scope of the NGFF. It is a conversation that must happen WITH the regulated electric utilities given the known impacts electrification of natural gas space and water heating has on the electric grid and peak loads. The regulatory tools discussed during the NGFF should focus on the decarbonization of natural gas, not the reduction of natural gas. Natural gas will continue to play a critical role in providing affordable and reliable energy to all Oregonians.

The Commission must not lose sight of its mandate to ensure that the energy required by consumers is **affordably and reliably** delivered when needed. With the growing – and known -- regional constraints on the electric generation, transmission, and distribution systems, reliability of energy services in general will be an ongoing concern.

Natural gas services provide unmatched reliability for Oregonians during significant weather events and electricity outages. Natural gas has played a central and historically important role in limiting the energy burden of Oregon families and businesses. That is why it is important

for the Commission to consider tools that help keep gas service viable and affordable as gas utilities decarbonize the fuel they deliver.

NWGA members are pro-actively adopting new technologies to reduce the emissions impacts of the gas sector in support of the state's climate policy goals. The natural gas system our members own and operate represents billions of dollars in reliable, efficient, and well-maintained energy delivery infrastructure that keeps Oregonians warm and safe and is essential to many Oregon employers. The regulatory tools considered by the OPUC must contemplate how this system will positively contribute to reliably and affordably delivering on Oregon's clean energy future.

Thank you for your time and thoughtful consideration of these comments.

Sincerely,

A handwritten signature in blue ink, reading "Dan Kirschner". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

DAN S. KIRSCHNER  
Executive Director