

June 7, 2022

Ms. Kim Herb  
Oregon Public Utility Commission  
201 High Street SE, Suite 100  
Salem, OR 97301-3398

**Re: UM 2178 - Natural Gas Fact Finding per EO 20-04 PUC Year One Work Plan  
Multnomah County Office of Sustainability's Comments on Staff's Natural Gas  
Fact Finding Draft Report**

Dear Ms. Herb,

Thank you for the opportunity to comment on the Public Utility Commission ("PUC") Staff's Natural Gas Fact Finding Draft Report (the "Draft Report"). The climate crisis and an evolving regulatory landscape require a thoughtful and decisive response from the PUC that centers emissions reductions and prioritizes vulnerable communities. Insofar as a supply of emerging fuels such as renewable methane and green hydrogen exists, the PUC should recognize the need to prioritize it for hard-to-electrify sectors, like heavy industry. Consequently, I encourage the PUC to prioritize tools that focus on proven, established, and cost-effective methods for decarbonization of residential and commercial applications, like energy efficiency and efficient electric heat-pump technologies.

My comments below begin by encouraging Staff to ground its final version of the Natural Gas Fact Finding Report (the "Final Report") in the recognition of the climate crisis. They then encourage Staff to more thoughtfully address electrification as a core decarbonization strategy and to further explore tools to protect vulnerable customers who have limited options. I follow by encouraging Staff to recognize in the Final Report the limitations of HB 2475 (2021) in terms of protecting financially vulnerable customers from upward rate pressure, and by encouraging a more thorough exploration of how incentives for proven decarbonization technologies could be addressed. Finally, I encourage Staff to prioritize in its Final Report recommendations focused on lower-risk, more-certain decarbonization strategies.

## **I. The Final Report should be grounded in a recognition of the climate crisis**

The climate crisis necessitates urgent action to drastically reduce greenhouse gas emissions and to increase community resilience to climate-related extremes and disasters. Measures like incentivizing energy efficiency and deploying air-source electric heat pumps can facilitate both goals in a safe, cost-effective manner. However, the Draft Report appears to often accept gas industry decarbonization assumptions that support infrastructure expansion while insufficiently exploring the risks of that expansion. Moreover, the Draft Report does not center the fact that

mitigating the worst impacts of climate change requires fast and drastic reductions in greenhouse gas emissions, including significant methane emissions reductions.<sup>1</sup>

The adoption of the Governor's Executive Order 20-04, as well as the subsequent adoption of HB 2021 (2021) and the implementation of the Climate Protection Program (CPP) among other legislative and regulatory actions, have set clear decarbonization goals for the state. The Draft Report correctly notes that the PUC is at the center of energy utility decarbonization.<sup>2</sup> Indeed, the PUC has the difficult task of balancing ratepayer protections and system reliability while overseeing rapid decarbonization. Yet the Draft Report does not sufficiently recognize the imperative for action, and the Final Report should be rooted in a decarbonization imperative.

The Final Report should also acknowledge that the climate crisis is no longer an abstraction in Oregon. No part of Oregon has been spared from the consequences of the climate crisis, like unprecedented wildfires and extreme drought. Just since 2020, Multnomah County experienced the worst air quality it has ever seen due to wildfire smoke and the most extreme temperatures ever recorded. These events are linked to a rapidly warming climate and driven by excessive and unrelenting human-caused emissions of greenhouse gasses, including those associated with the fossil gas industry. The clear and immediate danger posed by these conditions underlines an urgent need for action that the Final Report should recognize.

While the impacts of the climate crisis are incredibly concerning, the PUC has solutions ready to help address some of the known threats of climate change. Among the 69 people in Multnomah County and over 100 people across Oregon killed by the June 2021 heat dome event, almost all had no air conditioning. Multnomah County recognizes that housing is a critical first line of defense to the impacts of climate change, and there is a clear opportunity to invest in more resilient housing through adaptive measures like better home insulation and energy-efficient electric heat-pump cooling systems. These adaptive measures also have the potential to lower emissions and should be prioritized.

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<sup>1</sup> Intergovernmental Panel on Climate Change, *Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Summary for Policymakers at SPM-30 (2022), [https://report.ipcc.ch/ar6wg3/pdf/IPCC\\_AR6\\_WGIII\\_SummaryForPolicymakers.pdf](https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_SummaryForPolicymakers.pdf) ("Global net zero CO<sub>2</sub> emissions are reached in the early 2050s in modeled pathways that limit warming to 1.5°C (>50%) with no or limited overshoot, and around the early 2070s in modeled pathways that limit warming to 2°C (>67%). Many of these pathways continue to net negative CO<sub>2</sub> emissions after the point of net zero. These pathways also include deep reductions in other GHG emissions. . . . *Deep GHG emissions reductions by 2030 and 2040, particularly reductions of methane emissions, lower peak warming, reduce the likelihood of overshooting warming limits and lead to less reliance on net negative CO<sub>2</sub> emissions that reverse warming in the latter half of the century. . . . (high confidence)*") (emphasis added).

<sup>2</sup> Draft Report at 23.

## II. The Final Report should more thoughtfully address electrification as a proven decarbonization strategy

Gas and electric utility service, both regulated by the PUC, are the main sources of emissions in Multnomah County.<sup>3</sup> The path to eliminating those emissions from the electricity sector is clear, thanks to long-established, cost-competitive solutions and a suite of local and state policies. In contrast, many of the gas decarbonization technologies discussed in this proceeding, with the exception of some of the energy efficiency technologies discussed, are unproven and unlikely to be cost-competitive under the Climate Protection Program. It is concerning that gas utilities are also suing to stop implementation of the one state-level policy that established gas-utility-sector decarbonization standards.<sup>4</sup> While the solutions offered by the gas sector are less clear, energy efficiency and electrification are well recognized and cost-effective tools to decarbonize several end-uses currently served by gas.<sup>5</sup> The Final Report should explore these tools more thoughtfully.

Electrification is an increasingly favored decarbonization strategy at both the residential and institutional levels. For example, Multnomah County and Portland Public Schools recently adopted policies requiring new buildings to be all electric.<sup>6</sup> Similarly, various local governments throughout Oregon are actively discussing policies to limit additional reliance on gas at the residential level. More households are adopting electric solutions, like heat pumps to heat and

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<sup>3</sup> Multnomah County, *2015 Climate Action Plan: Final Progress Report* at 20 (2020), <https://multco-web7-psh-files-usw2.s3-us-west-2.amazonaws.com/s3fs-public/2015%20Climate%20Action%20Plan%20Final%20Progress%20Report%20-%20Final.pdf>.

<sup>4</sup> Anthony Effinger, *Stop Litigating and Start Cutting Emissions, Citizens' Utility Board Says to NW Natural and Other Gas Producers* (Mar. 27, 2022), <https://www.week.com/news/environment/2022/03/27/stop-litigating-and-start-cutting-emissions-citizens-utility-board-says-to-nw-natural-and-other-gas-producers/>.

<sup>5</sup> See generally Robbie Orvis and Megan Mahagan, *A 1.5°C NDC for Climate Leadership by the United States* at 4 (Apr. 2021), [https://energyinnovation.org/wp-content/uploads/2021/04/A-1.5-C-Pathway-to-Climate-Leadership-for-The-United-States\\_NDC-update-2.pdf](https://energyinnovation.org/wp-content/uploads/2021/04/A-1.5-C-Pathway-to-Climate-Leadership-for-The-United-States_NDC-update-2.pdf); Clean Energy Transformation Institute et al., *Executive Summary to the Oregon Clean Energy Pathways Analysis* at 3 (Jul. 2, 2021), [https://uploads-ssl.webflow.com/5d8aa5c4ff027473b00c1516/6181e54b10541827d3142f8a\\_Oregon%20Clean%20Energy%20Pathways%20Analysis%20Executive%20Summary%20Final.pdf](https://uploads-ssl.webflow.com/5d8aa5c4ff027473b00c1516/6181e54b10541827d3142f8a_Oregon%20Clean%20Energy%20Pathways%20Analysis%20Executive%20Summary%20Final.pdf), (“[S]low demand-side electrification, illustrated in the 100x50 Low Transformation scenario results in a significant increase in costs (the scenario costs about 0.4% of GDP more each year than the reference scenario between 2040 and 2050). Higher costs are driven by increased investment in the electricity system and fuel conversion technologies needed to supply greater overall energy demands than in a largely electrified energy system in the form of decarbonized fuels”).

<sup>6</sup> Bryant Clerkley, *Portland Public Schools adopts new climate crisis response policy* (Mar. 3, 2022), <https://www.kgw.com/article/tech/science/climate-change/portland-public-schools-adopts-new-climate-crisis-policy/283-3d49e89a-1044-4d02-8103-4767ecc5d7c8>; Multnomah County, *Multnomah County Board First in the State to Restrict Fossil Fuel Use* (May 5, 2021), <https://www.multco.us/sustainability/news/multnomah-county-board-first-state-restrict-fossil-fuel-use>.

cool their homes or electric cooking appliances, as their climate awareness grows and as they become better informed about the indoor air quality and health impacts of gas appliances. The Draft Report fails to sufficiently recognize that customer choice and policy will increasingly lead to electrification of end uses as prudent investments.

The Final Report should better reflect the environmental and financial risks of failing to decarbonize the gas utility sector. Staff acknowledges that CPP compliance would require steep emissions reductions and that non-compliance would be costly,<sup>7</sup> yet these recommendations do not reflect the urgency of achieving those reductions. Instead, the Draft Report draws baffling equivalences between electrification — an established and proven approach — and the prospect of technologies,<sup>8</sup> markets, and investments that are not established or even certain to deliver the needed reductions cost-effectively and at scale.<sup>9</sup> The Final Report's recommendation should instead better explore tools that make electrification accessible to those most at risk of being left to carry the cost of the gas system.

### **III. The Final Report should further explore tools to protect vulnerable customers with limited options**

The PUC's mission is "[t]o ensure Oregon utility customers have access to safe, reliable, and high quality utility services at just and reasonable rates."<sup>10</sup> It is not clear how Staff's admitted institutional bias toward recommendations that maintain customer counts supports that mission.<sup>11</sup> Instead, it could place ratepayers at risk, especially those less able to transition.

Indeed, the Draft Report appears to focus on maintaining or growing customer counts as a strategy to protect customers with limited options.<sup>12</sup> This line of reasoning is concerning. The status quo is not stable, and delaying hard choices will only serve to make them more difficult as

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<sup>7</sup> Draft Report at 24-26.

<sup>8</sup> *Id.* 27

<sup>9</sup> See generally Sara Baldwin et al, *Assessing the Viability of Hydrogen Proposals: Considerations for State Utility Regulators and Policymakers* at 4 (Mar. 2022), <https://energyinnovation.org/publication/assessing-the-viability-of-hydrogen-proposals-considerations-for-state-utility-regulators-and-policymakers/> ("Utility regulators should look to proven, least-regrets alternatives to hydrogen that help electric and gas utilities (and states) achieve their decarbonization targets, such as electrifying buildings, bolstering energy efficiency programs, directing gas utilities to identify and seal methane leaks, and deploying more renewables and battery storage").

<sup>10</sup> Oregon Public Utility Commission, *About Us*, <https://www.oregon.gov/puc/about-us/Pages/default.aspx>.

<sup>11</sup> Draft Report at 20.

<sup>12</sup> *Id.* at 21 ("Staff identified the following near-term actions that could help protect customers from bill increases . . . Prioritization of incremental energy efficiency for CPP compliance that lowers natural gas usage but allows for customer count growth to continue at some level so as to avoid near-term outcomes that place upward rate pressures on those customers unable to exit the gas system and would therefore be forced to cover an increasing proportion of fixed costs.).

the pressures of climate change and decarbonization compliance obligations compound as time passes. Rather than addressing gas sector decarbonization from the perspective of preserving gas customers in order to avoid a future “fixed-cost death spiral,”<sup>13</sup> the Final Report should focus on tools and recommendations that help all ratepayers, particularly vulnerable households, manage inevitable transitions.

Rather than weighing in favor of maintaining or expanding gas utility customer base and infrastructure, Staff experience with the telecom industry should underscore the need to focus on low-income ratepayer protections. The telecom industry has been radically transformed by new technologies, namely the internet and cellular devices. These trends were driven by consumer preference and demand. As noted above, even with minimal policy support, consumers are already turning away from fossil-gas-based technologies and choosing cleaner options. Strategies focused on maintaining customer counts while allowing for gas infrastructure expansion appear doomed and are not grounded in the realities of a shifting consumer landscape and a climate crisis.

That shifting landscape is already noticeable in corporate and institutional environmental, social and governance (“ESG”) compliance, and in consumer trends like the move toward induction stoves and electric heat-pumps. The latter two trends are driven by technologies that provide more benefit to consumers, particularly stoves without open flames that degrade indoor air quality, and systems that provide clean, efficient indoor heating and cooling. Cooling is increasingly becoming a necessity in Oregon as heat waves driven by climate change become the norm. Staff should take these trends into account in these and other proceedings, and should focus on tools that help those unable to afford the transition adopt these technologies and avoid rate pressures associated with gas utility decarbonization and gas system defections.

Staff appropriately recognize that actions by the PUC can have consequences, noting that “[k]ey policy decisions can easily have consequential, systemwide feedback loops that span beyond an individual gas or electric utility’s IRP or operations.” Staff should also recognize that inaction or delayed action are also decisions with consequences and feedback loops.

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<sup>13</sup> *Id.* at 19.

#### **IV. The Final Report should recognize the limitation of relying on HB 2475 to mitigate rate impacts on low-income customers**

The Draft Report repeatedly refers to programs pursuant to HB 2475 (2021) as tools to mitigate rate increases resulting from gas utilities' decarbonization efforts.<sup>14</sup> HB 2475 is a groundbreaking policy passed after years of advocacy by environmental justice and other impacted communities and their allies, and programs pursuant to HB 2475 will certainly provide much-needed relief to thousands of families. However, current and proposed programs pursuant to HB 2475 have significant limitations in terms of reducing or eliminating harm to families living with energy burden.

HB 2475 is not certain to provide relief to all families that need it and the Final Report should acknowledge those limitations. Current and proposed HB 2475 programs serving Multnomah County provide bill discounts to those at or below 60% of the state median income ("SMI"), with an adjustment to cover some minimum-wage earning households. However, energy burden and energy poverty do not begin at 60% SMI. Many families above that income threshold experience energy burden and will be impacted by the rate increases discussed in the Draft Report. These programs are also unlikely to reach 100% of those who qualify, and while discounts would mitigate the impact of rate increases, they would not eliminate it as other tools may (e.g., a percentage of income payment plan). For these reasons, current and proposed programs implementing HB 2475 have limitations in terms of eliminating energy insecurity and protecting customers from gas utility decarbonization costs.

#### **V. The Final Report should address incentives for proven decarbonization technologies**

The Energy Trust of Oregon (ETO) and Community Action Agencies (CAAs), including Multnomah County, need clear direction from the PUC on how they can help ratepayers navigate the transition to a decarbonized energy supply. These investments should be prioritized based on a systemwide utility basis, focusing on cost-effectiveness under a decarbonization framework and on maximizing positive impacts for vulnerable customers. Such cost-effectiveness calculations should include savings generated by the avoided costs of climate impacts and of reducing emissions, as well as energy efficiency/energy savings and non-energy benefits such as better health outcomes and increased community resilience. These investments should also include electrification of space and water heating/cooling, and the PUC should explicitly allow ETO and CAAs to support fuel switching in favor of electrification. This also means that incentives for the purchase of gas appliances that are marginally more efficient may no longer make sense given that these appliances pose risks to households from future

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<sup>14</sup> *Id.* at 2, 19, 21, 28.



rate increases, potential health impacts from leaked methane and indoor combustion, and the climate impacts from the combustion of methane.

## **VI. The Final Report should explore lower risk, more certain decarbonization strategies**

The Draft Report notes the complexity of the decarbonization pathway ahead. The PUC has the complex task of identifying what existing and new tools it can and should use. However, uncertainty and complexity are not excuses for inaction, especially with the unfolding climate crisis that demands action. To that end, I recommend that the Final Report include a comprehensive set of strategies and relies on proven technologies and strategies for reducing emissions, and that includes the following elements:

1. No expansion of the gas system unless gas utilities can:
  - a. Show that they are able to secure supplies of bio-methane and green hydrogen in a cost-competitive manner in quantities sufficient to achieve CPP mandates.
  - b. Show that hydrogen can be used safely both in the distribution system and by end users prior to approval of any substantial rate-based investments.
2. Investments in energy efficiency and in technologies that save energy, and in increasing resilience to climate shocks through programs that prioritize low-to-moderate-income households. This includes investments in building envelope performance and electrification.
3. Investments in proven and well-established decarbonization technologies like electric heat-pump water heaters and electric heat-pump space heaters through programs that prioritize low-to-moderate-income households. Removal of current barriers to incentives for customers choosing to adopt these technologies.
4. Adoption of comprehensive low-income customers protections, potentially beyond the standard protections offered under programs enabled by HB 2475

By acting through a combination of strategies, the PUC can protect ratepayers, address climate resilience and mitigation concerns, and allow more time to ensure that any additional investments in the gas utility system are appropriate.

## **VII. Conclusion**

I thank Staff for undertaking the difficult task of evaluating the information it gathered during this investigation, as well as of assessing tools available for gas utility decarbonization and the impacts of various tools and policy choices. I encourage Staff to prioritize proven decarbonization strategies in its Final Report, and to recognize that the movement to electrify current gas utility end uses is real and growing. I hope that the PUC's actions continue to center

consumers, especially those most at risk in this transition, and I trust that this public comment process will be an appropriate juncture for reflecting those improvements in the Final Report.

Sincerely,

A handwritten signature in black ink, appearing to read "John Wasiutynski". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

John Wasiutynski  
Director  
Office of Sustainability  
Multnomah County