

From: [HERB Kim * PUC](#)
To: [HERB Kim * PUC](#)
Subject: UM 2178 Workshop 4a materials and Docket schedule update
Date: Wednesday, September 29, 2021 6:11:32 PM
Attachments: [UM 2178 NGFF Workshop 4a Regulatory Tools Presentation FINAL 9.27.21.pdf](#)
[UM 2178 Workshop 4a Attendee List.pdf](#)

Dear UM 2178/Natural Gas Fact Finding Stakeholders,

You are receiving this email because you are on the Service List for UM 2178. Staff thanks participants for their time and contributions during Workshop #4a on September 27. Attached is the presentation that was shared during the workshop and the workshop attendee list. At the meeting Staff indicated that it would be proposing additional deadlines for stakeholder comments, those additional dates are listed below in blue. The docket schedule will be updated to reflect these additional dates. As a reminder, the date for the next Regulatory Tools meeting was changed from October 11 to October 12. The agenda for that meeting will come in a separate email.

Date	Event
Tuesday, October 12, 2021	Workshop #4b: Regulatory Tools Continued - Application - Date change
Tuesday, October 26, 2021	Stakeholder Comments on Regulatory Tools - NEW
Wednesday, November 17, 2021	Alternative Scenario Compliance Models posted and associated data posted
Friday, December 3, 2021	Stakeholder Comments on Alternative Scenario Compliance Models - NEW
Friday, December 10, 2021	Report Draft Posted
Monday, January 3, 2022	Stakeholder Comments on Draft Report - NEW
Monday, January 10, 2022	Workshop #5: Report Feedback
Monday, February 7, 2022	Final Report Posted
Thursday, February 17, 2022	Stakeholder Comments on Final Report - NEW
Thursday, February 24, 2022	SPM

All workshop 4a and 4b meeting materials, including recordings, will be posted on the website and in the docket shortly and Staff will notify those on this list as soon as they are posted.

Best,
Kim

Kim Herb (she/her)
Utility Strategy & Planning Manager
Oregon Public Utility Commission
C: 503.428.3057
Kim.herb@puc.oregon.gov ***New Email Address***

Natural Gas Fact Finding

Workshop #4a: Regulatory Tools - Overview



Meeting Objectives



Share information about existing and nascent regulatory tools



Deepen stakeholder understanding of tools and applicability



Updates on existing tools

PUC Staff Introductions

□ Staff Host/Facilitators:

- Kim Herb - Utility Planning and Strategy Manager
- JP Batmale - Administrator: Energy Resources & Planning Division
- Zach Baker - Senior Energy Policy Analyst

Time	Topic
10:00 - 10:10	Introduction / Workshop Overview
10:10 - 10:30	Workshop 3 Summary
10:30 - 12:00	Regulatory Assistance Project - Regulatory Tools Overview and Q&A
12:00 - 12:30	DEQ Climate Protection Program Update and Q&A
12:30 - 1:30	Lunch
1:30 - 2:15	Existing PUC Tools and Activities
2:15 - 3:00	Next Steps - Preparing for Workshop 4b

Agenda

Participation Tips

- ❑ Please join audio by either phone or computer, not both
- ❑ Today's Zoom will be a "meeting" which will allow for direct interaction with presenters and participants
- ❑ For discussion and comments, use "Raise Hand" button to get in the queue; if joined by phone press *9
- ❑ Rename yourself with your name and affiliation
- ❑ Say your name and affiliation before speaking

Discussion/Comments Ground Rules



Honor the agenda and strive to stay on topic



Provide a balance of speaking time



Listen to understand and ask questions to clarify



Stay engaged and be open about your perspective and experience



Address issues and questions - focus on substance of comments without attacking others



Bring concerns and ideas up for discussion at the earliest point in the process

Chat Availability

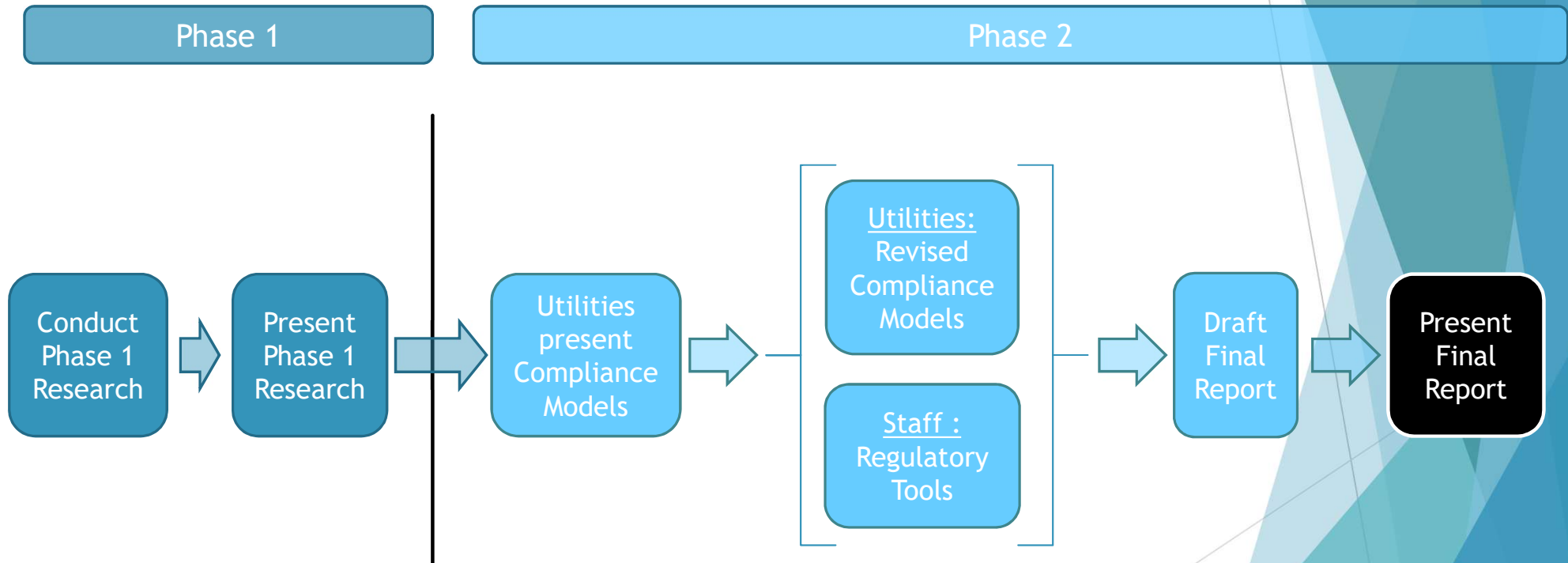


Chat is unavailable during presentations. Please raise your hand to *ask clarifying questions*.



Chat is available during the Q&A sessions and will be moderated by Staff - or raise your hand to verbally ask a question.

Phases & Engagement



Schedule Changes

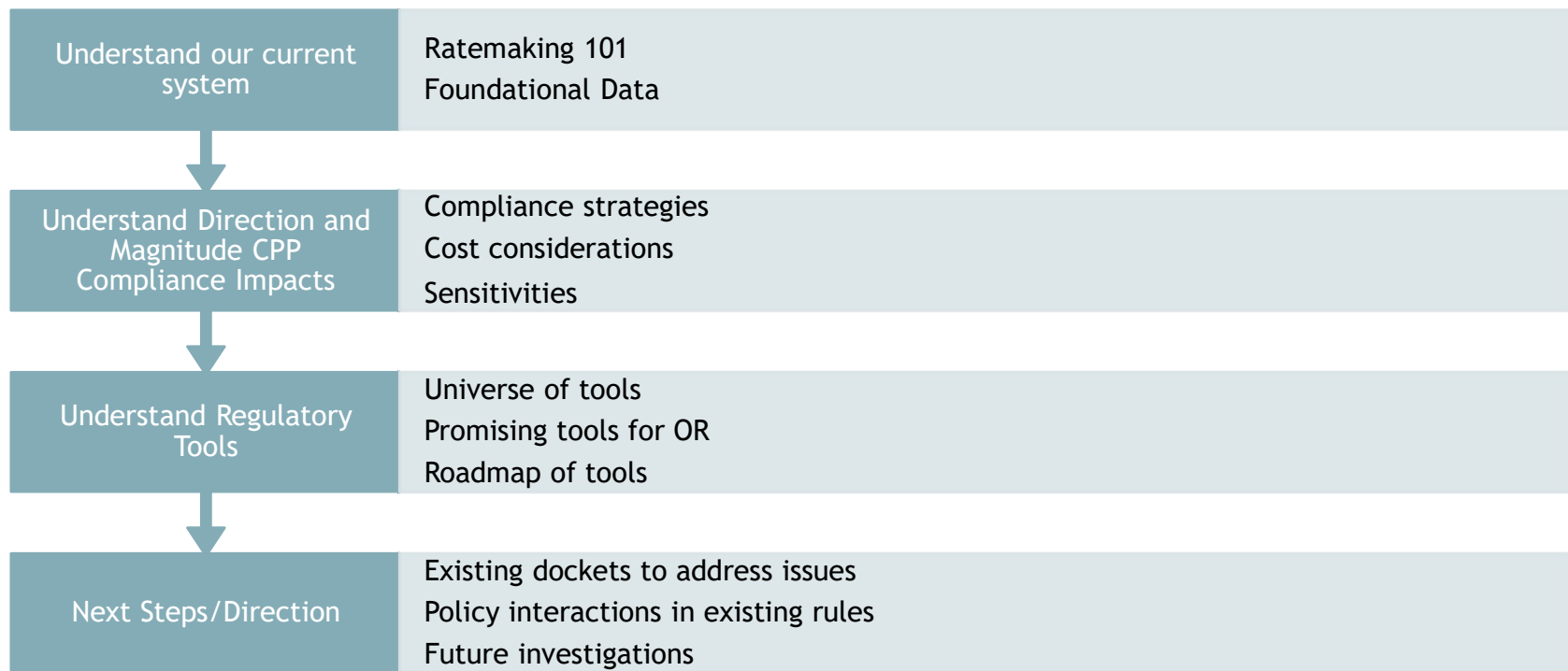
Date	Event
Friday, September 24, 2021	Stakeholder Comments on Modeling and Alternative Scenarios
Monday, September 27, 2021	Workshop #4a: Regulatory Tools Overview
Wednesday, September 29, 2021	Alternative Scenario Proposals drafted and posted by staff
Tuesday, October 12, 2021	Workshop #4b: Regulatory Tools Continued - Application - <i>Changed</i>
Wednesday, November 17, 2021	Alternative Scenario Compliance Models posted and associated data posted
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Monday, January 10, 2022	Workshop #5: Report Feedback
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UM 2178 - Natural Gas Fact Finding Desired Outputs

An understanding of potential natural gas customer bill impacts associated with compliance with GHG emission targets from DEQs Climate Protection Program.

Identification of strategies / tools to equitably mitigate potential harm to natural gas customers and/or incentivize action.

NGFF Approach and Process



Workshop 3

CCP Compliance Modeling Workshop



Discussion Questions

1. What are your initial thoughts on the modeling results?
2. How do these results inform your thoughts about the upcoming webinars on regulatory tools?
3. What is one other alternative scenario you think would be important to model to inform the regulatory tools discussion?
4. If electrification is determined to be a scenario to be modeled, by either the utility or staff, what suggestions do you have for inputs and/or methodology?

Discussion Questions

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Regulatory Tools Overview

Regulatory Assistance Project



September 27, 2021

Regulatory Tools Overview

UM 2178 Natural Gas Fact Finding – Public Workshop #4a

Megan Anderson
Associate

Mark LeBel
Associate

Elaine Prause
Senior Associate

The Regulatory Assistance Project (RAP)®

1 Issues and trends





BRIEFING ROOM

FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies

APRIL 22, 2021 • STATEMENTS AND RELEASES

Building on Past U.S. Leadership, including Efforts by States, Cities, Tribes, and Territories, the New Target Aims at 50-52 Percent Reduction in U.S. Greenhouse Gas Pollution from 2005 Levels in 2030

Oregon HB-2021

- Retail electricity service provider must reduce greenhouse gas emissions:
 - 80 percent by 2030
 - 90 percent by 2035
 - 100 percent by 2040



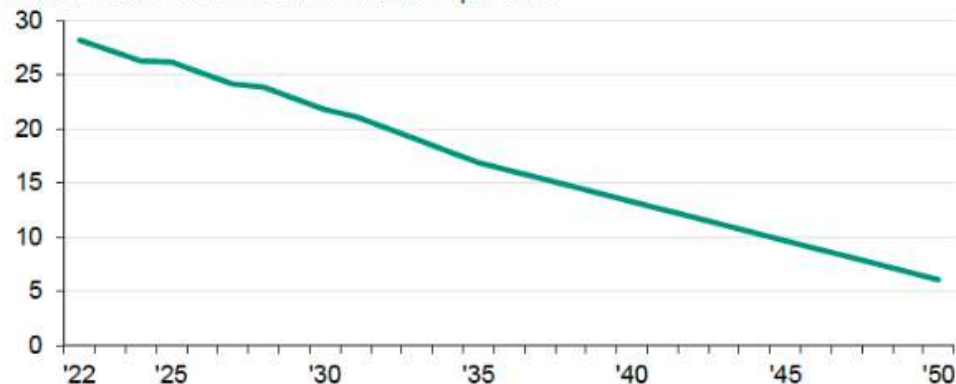
Oregon Targets in EO-20-04

1990 GHG
emissions
baseline

45%
reduction by
2035

80%
reduction by
2050

Annual Caps on Covered Emissions from Covered Fuel Suppliers
Million Metric Tons of Carbon Dioxide Equivalent



Source: DEQ, Climate Protection Program, Overview of Proposed Program (Sept. 2, 2021).

UM 2178: Natural Gas Fact Finding Investigation - Purpose

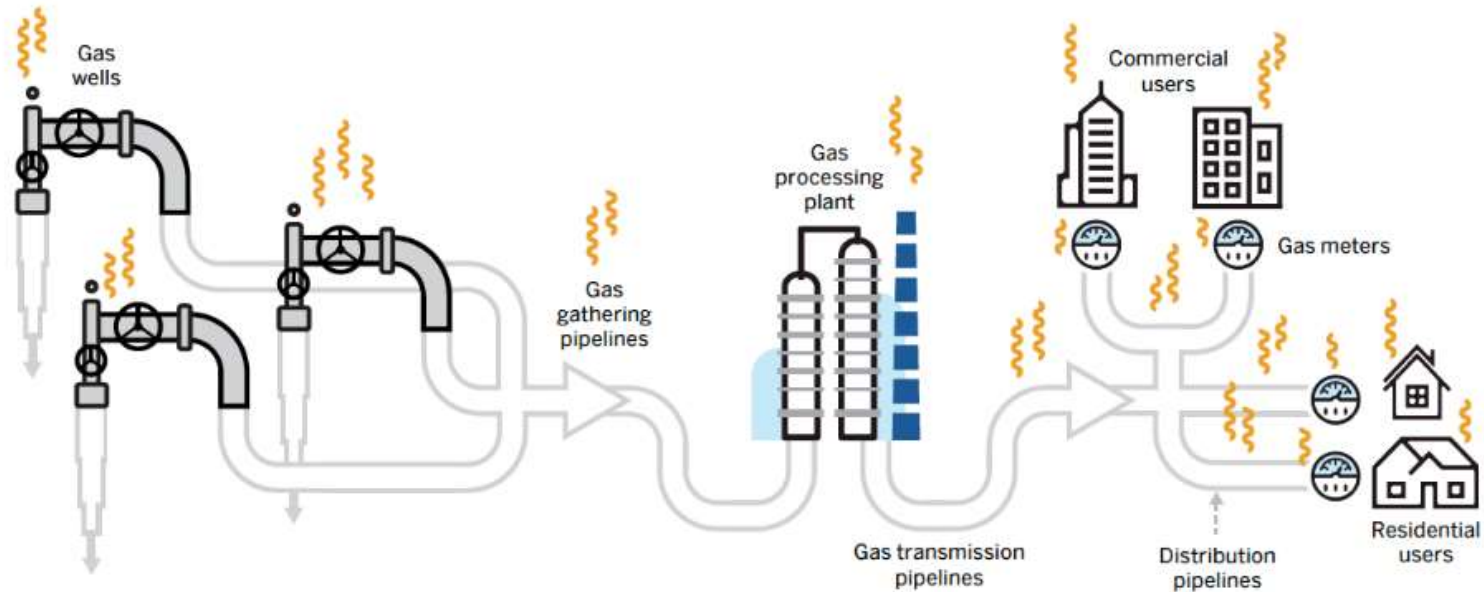
- Analyze the potential natural gas utility bill impacts that may result from limiting GHG emissions of regulated natural gas utilities under the DEQ's CPP
- Suggest appropriate regulatory tools to mitigate potential ratepayer impacts
- To inform future policy decisions and other key analyses to be considered in 2022

Other trends impacting customer base and throughput

- More stringent building codes and env. regulation
- Energy efficiency programs
- Energy-efficient gas appliances
- Electrification



Sources of Trends: Climate Policy and Safety Concerns



Note: Methane is colorless, but for purposes of illustration, leakage is represented in yellow.

Source: The Gas Index. (2020). *The United States' Natural Gas System Has a Serious Problem: It Leaks*

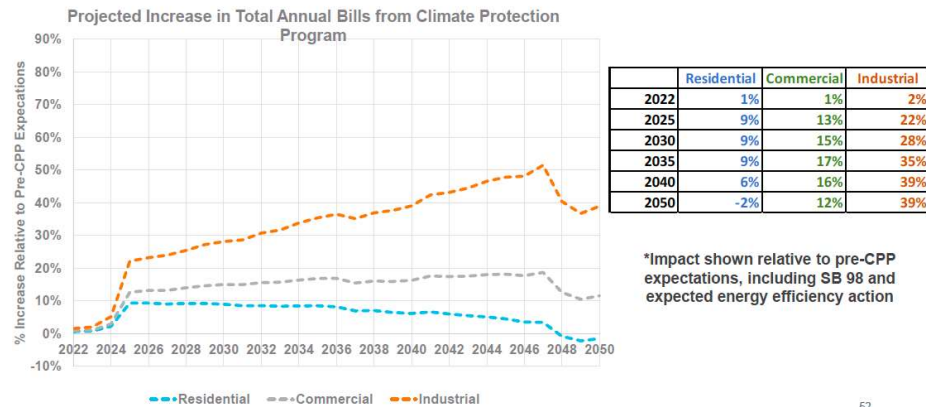
Results: Potential increases in Oregon gas system costs

- Infrastructure and safety upgrades across the system to enable alternative fuels
- Infrastructure upgrades to address leakage
- Increased commodity prices of natural gas and/or other fuels
- CCIs



Higher gas bills likely

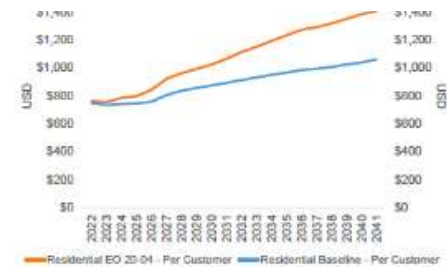
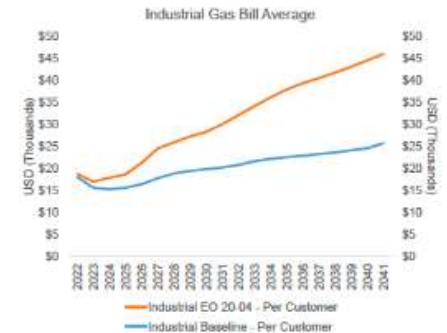
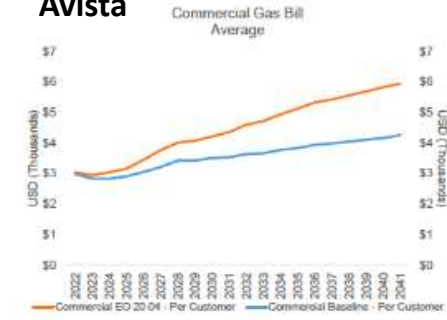
NW Natural



Cascade Natural Gas



Avista



Potential gas customer impacts

- Higher cost of service likely due to changing system
- Potential for customer and load attrition
- Potential for stranded assets- who pays?

Meeting customer energy needs in the public interest



Photo: Curtis Gregory Perry

Categories of Regulatory Tools



Planning



EE and Other Programs



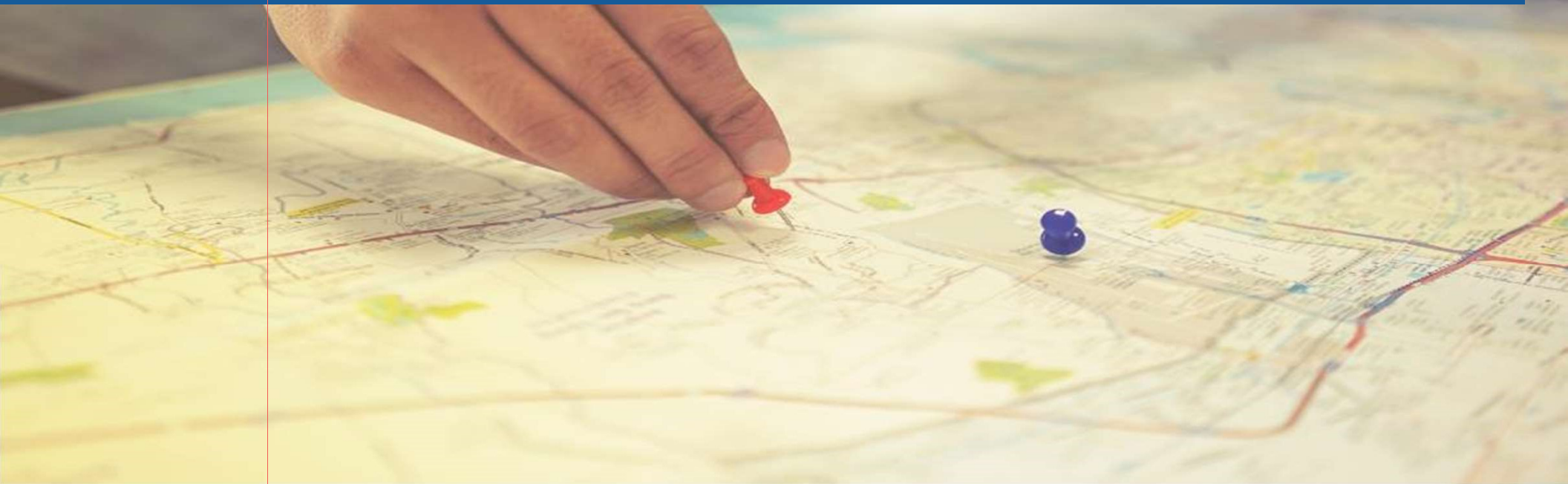
Ratemaking

Equity Is Integral

- Robust and inclusive processes to ensure that everyone's needs are considered and planned for
- Programs that are accessible and put disadvantaged communities at the forefront of the transition to clean energy
- Rate-making reforms can mitigate risk of unsustainable rate increases and avoid unfair bill impacts on low-income customers

Q&A

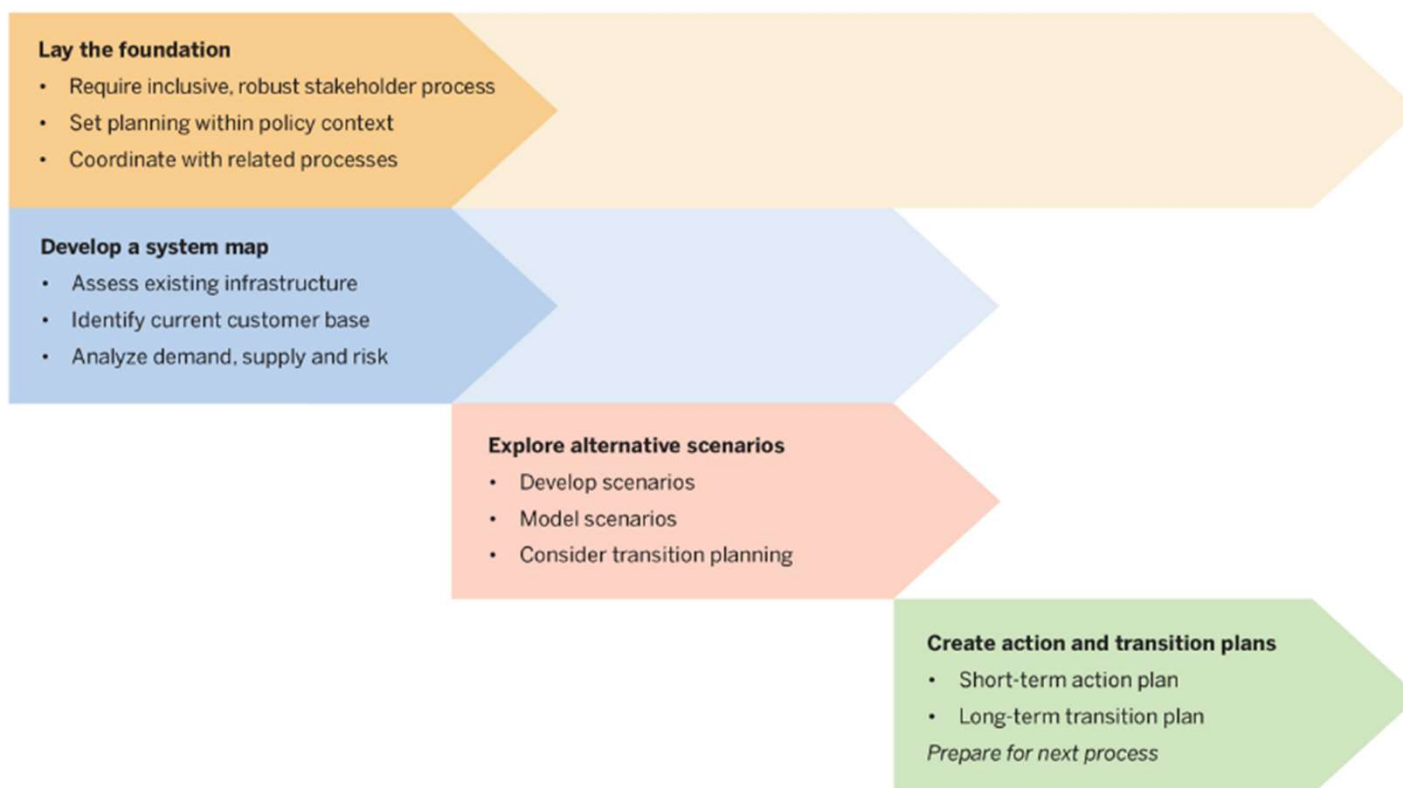
2 Expand Planning



Oregon Planning



Gas Planning Process



Expand and coordinate stakeholder processes

- Inclusive, robust stakeholder processes
- Set planning within policy context
- Coordinate with related processes

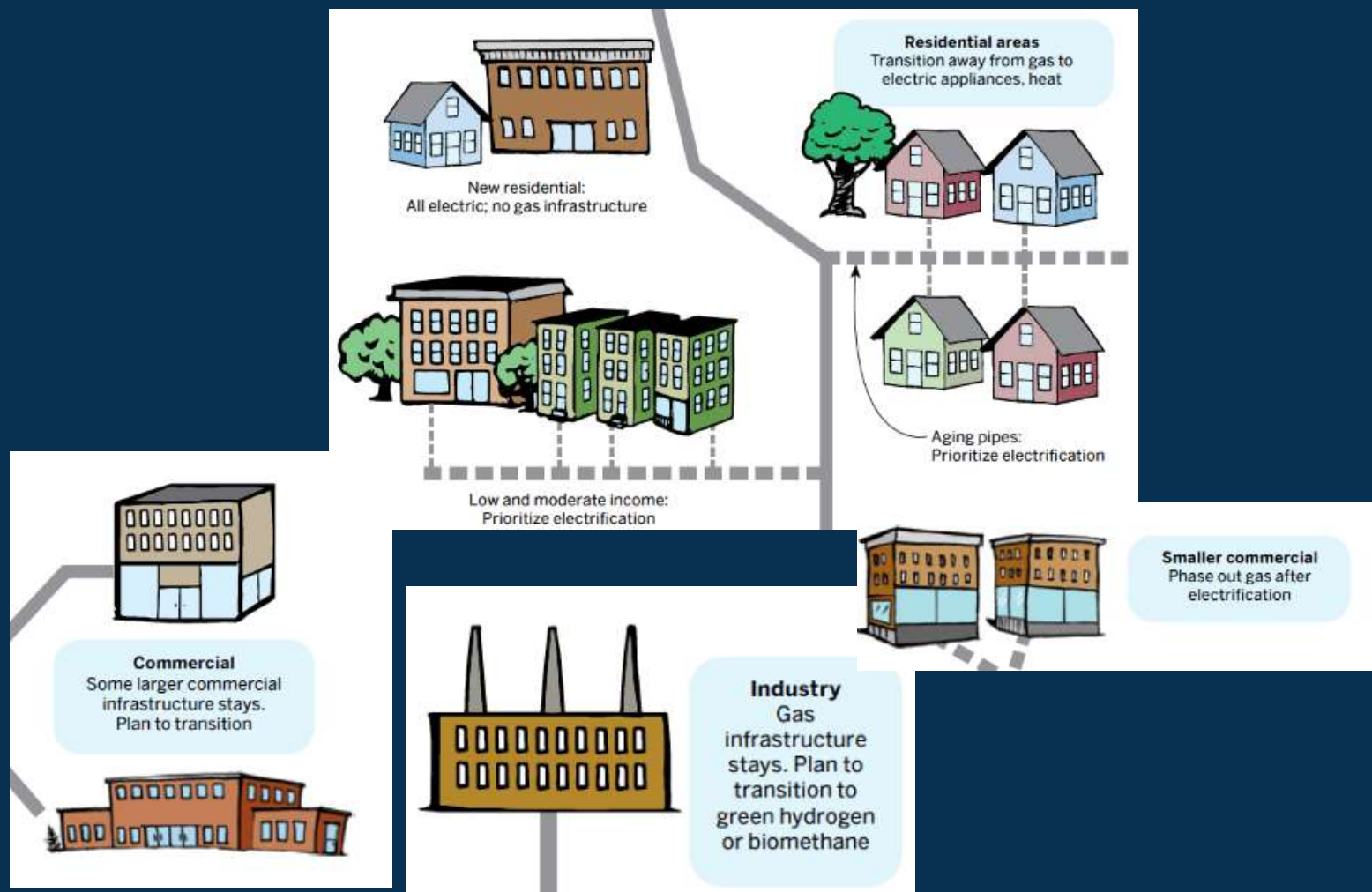


Develop a Dynamic System Map

Layers of information can facilitate system planning

- Assessment of existing infrastructure
- Identification of current customer base
- Analysis of demand, supply and risk

Explore Alternative Scenarios



Develop Decarbonization Plans

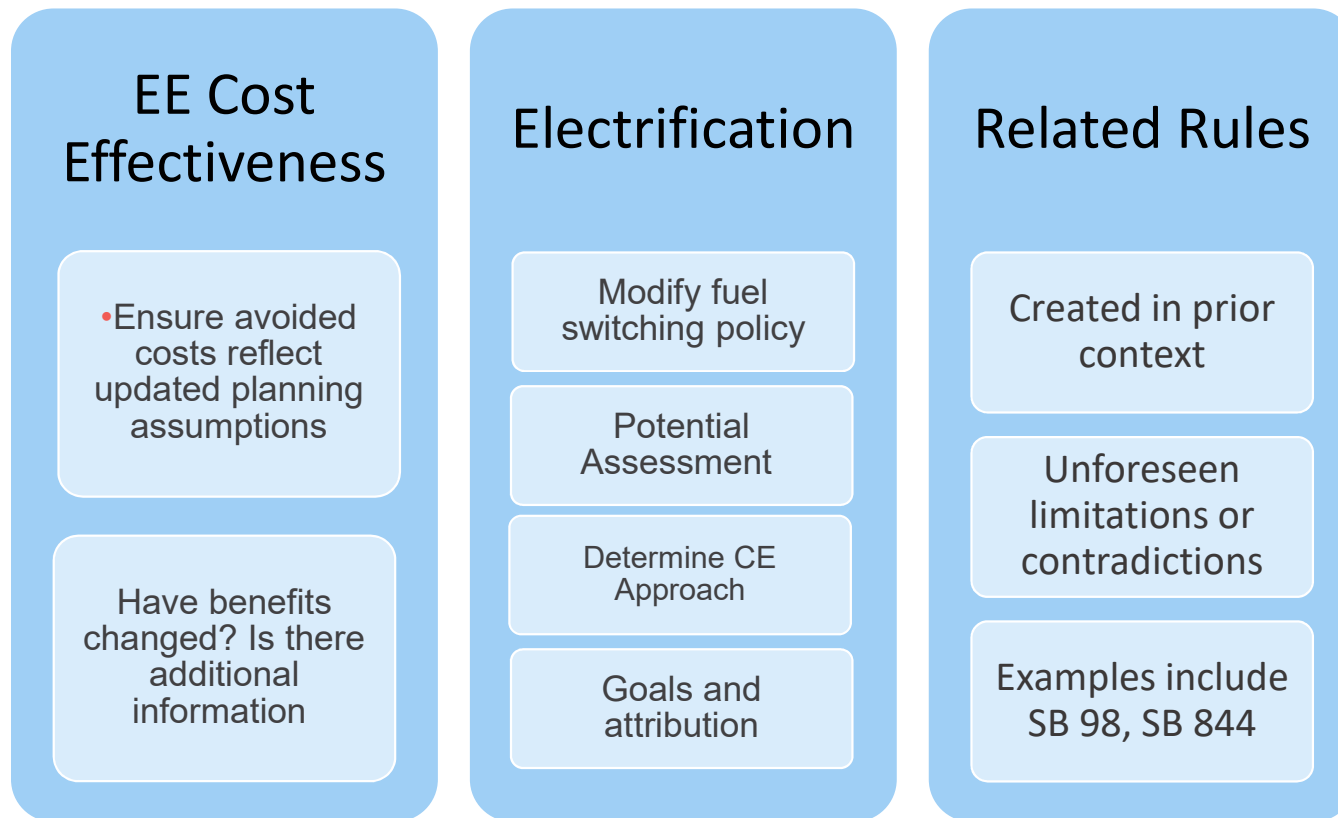
- Develop decarbonization plans within the IRP process to incorporate changing circumstances
- Consider ways to integrate gas and electric planning to consider all options together
- Planning is a “no regrets” tool – ensures that regulators have the info they need to make decisions about utility filings

Q&A

Programs and Policies



Revisit Underlying Policies to Unlock Compliance Options



Coordination of Electrification

- Set goals in terms of primary energy or in terms of emission reductions
- Allow gas utilities to earn credit for contribution to electrification goals

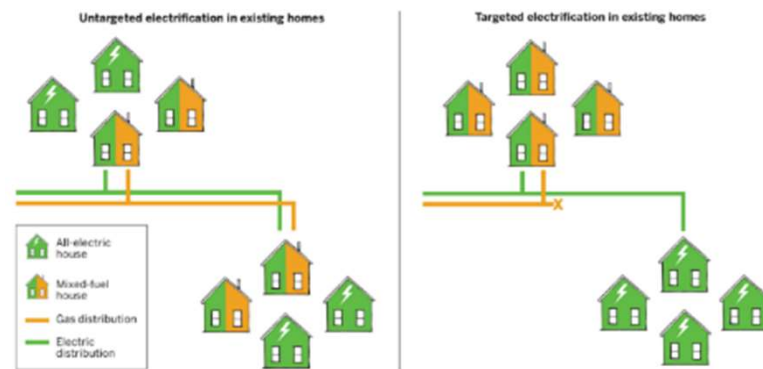


Target Programs for Equity

- Focus on weatherization
- Equitable access to new technologies
- Consider changing cooling and heating needs

Target Programs for Locational Impact

- Integrated with more granular planning
- Expand “non pipeline” alternatives
- Demand response
- Minimize new infrastructure capital investment and operational expense



Source: Graphic concept inspired by Aas, D., Mahone, A., Subin, Z., MacKinnon, M., Lane, B., & Price, S. (2020). The Challenge of Retail Gas in California's Low-Carbon Future: Technology Options, Customer Costs, and Public Health Benefits of Reducing Natural Gas Use; graphic modified by RAP.

Expand Programs to Transport Customers

- Assess the potential for EE in Transport
- Currently no funding mechanism in place, limiting factor

Explore Pilots and Studies to Test Key Uncertainties

- What's the research question?
 - Technical, programmatic, customer acceptance, joint gas/electric approaches, safety, H2 end use applications...
- Small cost/risk endeavor with potential for scaling cost effectively
- Limited time and budget
- What can we learn quickly by doing?

Q&A

4 Reform Gas Rate-Making



Full Universe of Contributors

- Current and future gas customers
- Other customers served by a future restructured “gas” utility
- Electric customers
- General funds and tax incentives
- Gas utility shareholders
- Others?

Key Rate-Making Principles

- Effective recovery of revenue requirement and access to reasonably priced capital
- Customer understanding, acceptance, and bill stability
- Equitable allocation of costs
- Efficient forward-looking price signals
- Achievement of public policy goals
 - Efficient competition and control of monopoly pricing
 - Reliable provision of service
 - Societal equity (e.g., affordability)
 - Environmental and public health requirements

PUC General Powers

OR Stat. § 757.400(1)

In addition to the powers and duties now or hereafter transferred to or vested in the Public Utility Commission, the commission shall represent the customers of any public utility or telecommunications utility and the public generally in all controversies respecting rates, valuations, service and all matters of which the commission has jurisdiction.

In respect thereof the commission shall make use of the jurisdiction and powers of the office to protect such customers, and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates.

The commission shall balance the interests of the utility investor and the consumer in establishing fair and reasonable rates. Rates are fair and reasonable for the purposes of this subsection if the rates provide adequate revenue both for operating expenses of the public utility or telecommunications utility and for capital costs of the utility, with a return to the equity holder that is:

- (a)** Commensurate with the return on investments in other enterprises having corresponding risks; and
- (b)** Sufficient to ensure confidence in the financial integrity of the utility, allowing the utility to maintain its credit and attract capital

Approaches to Lower Rate Base and Decrease Risks of Long-Term Rate Impacts

1. Update customer contributions to line extensions
2. Accelerate depreciation timelines
3. Improve planning and decision criteria for new investments (and contracts)
4. Explore alternative funding sources or authorization for securitization

Update Customer Contributions to Line Extensions

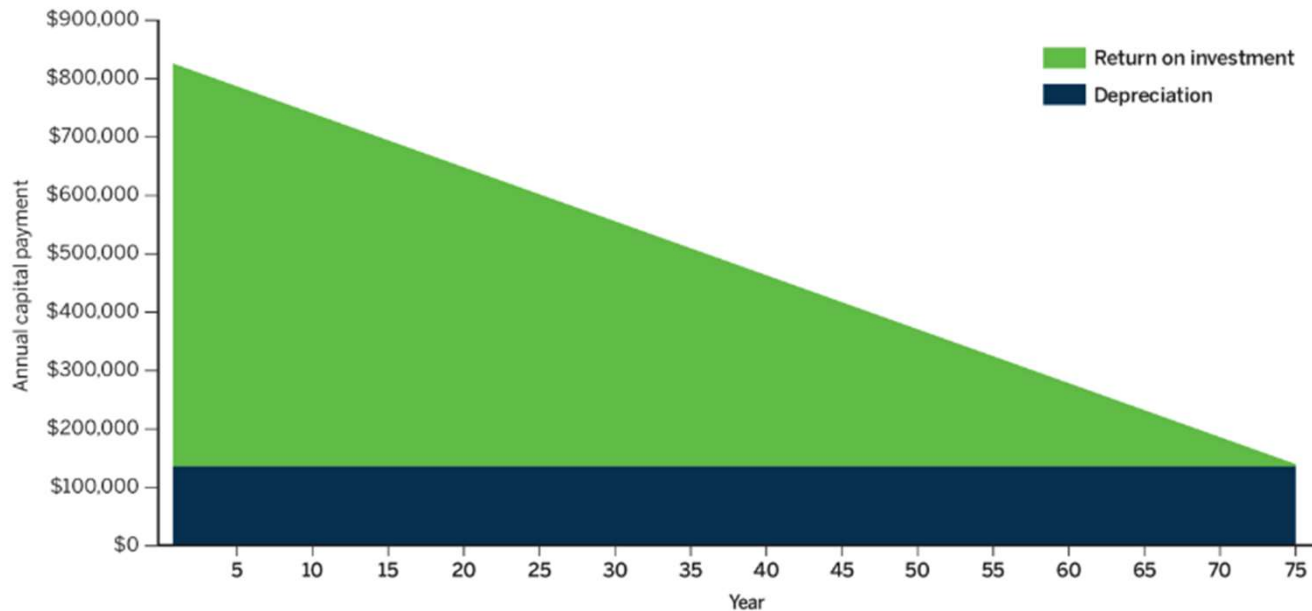
- Line extension allowance formulas dictate how much a utility is allowed to invest in new infrastructure for new customers
- Updated calculations would likely reflect changes to expected gas usage and different probability of **changes in gas system customers**

Repaying Utility Capital Investments

- Depreciation expense is based on the original cost of each investment, which is spread over the asset's projected lifetime
- Return on investment is based on the rate base and the weighted average cost of capital
 - Rate base is defined as original cost minus accumulated depreciation

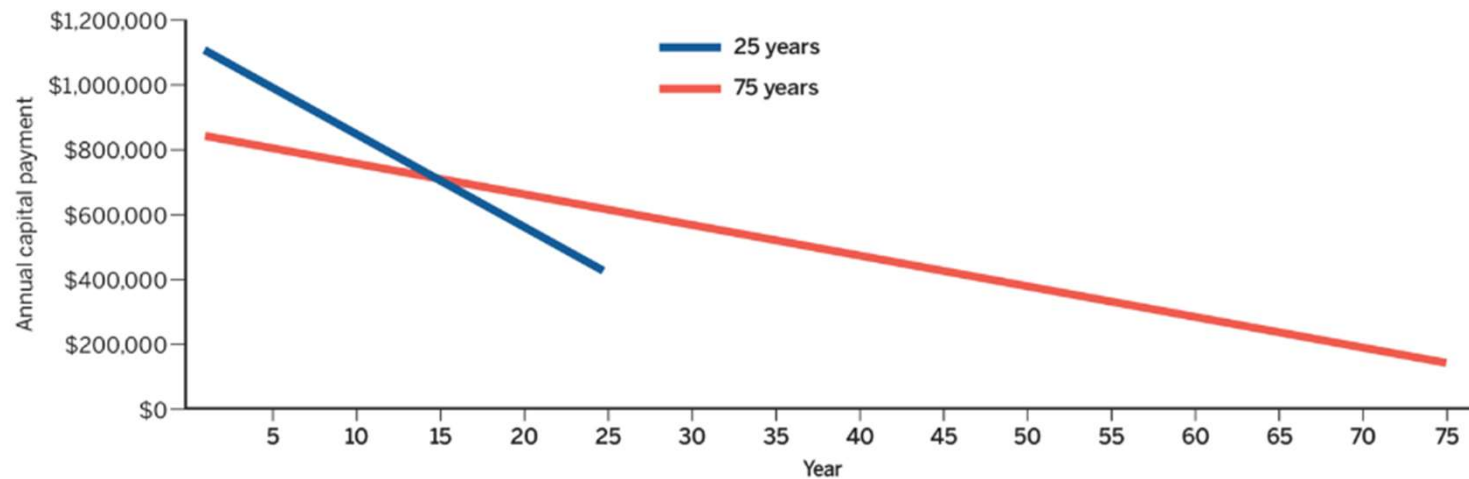
Payments for a Long-Lived Utility Capital Investment

Illustrative depreciation expense and return on \$10 million investment

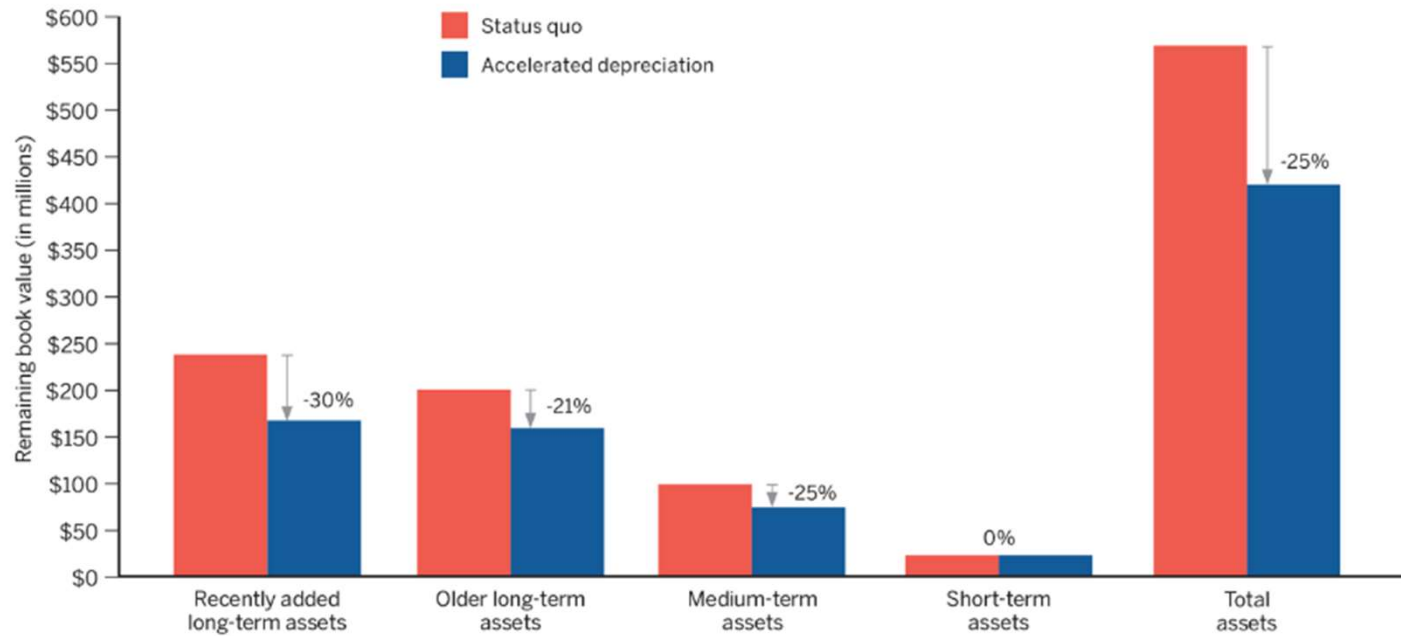


Changing the Depreciation Timeline

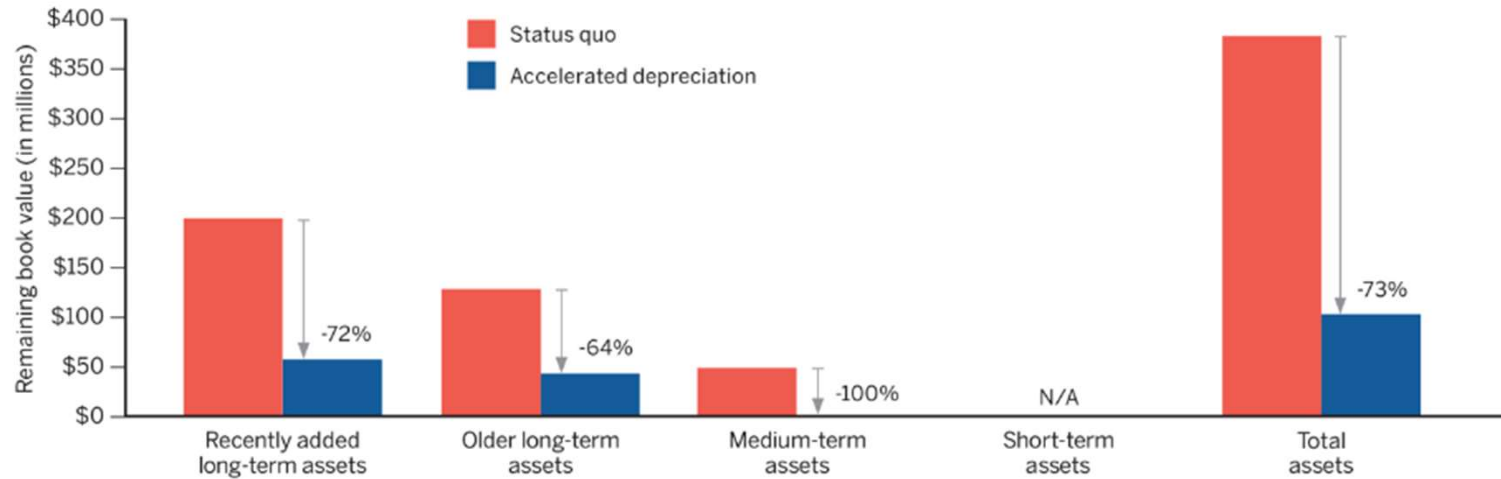
Illustrative trajectory of capital payments for two amortization periods



Pre-2021 Asset Book Value in 2031



Pre-2021 Asset Book Value in 2041



Equitable Cost Allocation

- Customer-related costs should be determined using the basic customer method, not the minimum system method
- Recovery of shared capacity costs should be balanced between energy throughput and peak demand based on load patterns
- Program costs can be allocated based on the benefits provided by the investments
 - For some programs, a split between electric customers and gas customers is appropriate when feasible

Efficient Rate Design

- Higher prices in peak seasons are appropriate
- Even higher prices or incentives to reduce on peak days are appropriate for many customers
- Inclining block structures with higher levels of inexpensive usage in the winter can balance efficiency and concerns about bill impacts for low-income gas heating customers

	Summer	Winter
First 20 therms	\$0.50 per therm	N/A
First 60 therms	N/A	\$0.50 per therm
Additional usage	\$1.29 per therm	\$1.29 per therm

Low-Income Rate Structures

- Separate class/subclass with own allocation and rates
- Discount on general residential rates
 - Percentage discount (e.g., 25% off of bill)
 - Flat monthly \$ discount (e.g., \$20 off of bill)
 - Tiered percentage or monthly \$ discounts
- Percentage of income payment plan
 - Cap bill at 6% of household income

Change Gas Utility Incentives

- Adopt decoupling using overall revenue target, not revenue per customer
- Implement performance-based regulation
 - Multi-year rate plans
 - Eliminate unnecessary trackers
 - Performance incentives for achieving important consumer and public policy outcomes

Potential Structural Reforms

- Green gas delivery
- Fusion with electric utility
- Add zero-GHG district energy
- Become a heating services provider
- Convert to publicly owned entity or coop
- Others?

Q&A

5 Takeaways



What to Keep in Mind

- An elevated and expanded focus on utility planning and regulation is required with GHG reduction targets.
- Impact of changes will be significant, regardless of chosen pathway
- PUCs will need to:
 - Evaluate alternatives based on evidence
 - Protect gas customers in short and long term
 - Avoid unneeded investment

Climate Protection Program Update

Colin McConnaha, Oregon Department of Environmental Quality



Lunch Break 12:30 - 1:30 Pacific

PUC Existing Regulatory Tools and Activities: Programs & Planning

PUC Existing Regulatory Tools and Activities



Programs

- Energy Efficiency
- Targeted Demand Side Management
- Demand Response
- Pilots for new supply
- New technologies



Planning

- Intergrated Resource Plans
- Policy Interactions

Programs

Energy Efficiency

- UM 1893 Investigation Into the Methodology and Process for Developing Avoided Costs Used in Energy Efficiency Cost-Effectiveness Tests.

Targeted Demand Side Management

- UM 2155 NWN Application for Authorization to Defer Certain Costs Associated with Phase 3 of the Geographically Targeted Energy Efficiency Pilot

SB 98 / SB 844

Demand Response

- Last NWN IRP

Planning

Policy Interactions

- HB 2021 impact on IRPs and EO 20-04 work
- RNG Rules (AR 636 - OAR Chapter 860, Div 150)
- Voluntary GHG reduction (SB 844)

Integrated Resource Plans

- Northwest Natural
- Avista
- Cascade
- Portland General Electric
- Idaho Power
- PacifiCorp

Planning - Gas IRPs

Company	Docket	Status	Anticipated Next Filing Date	How to get involved
NW Natural	LC 71	2018 IRP Update Order No. 21-274	July 29, 2022	Engage with NWN to participate in 2022 IRP Technical Working Group.
Avista	LC 75	Seeking acknowledgment of 2021 IRP at October 14, 2021 Public Meeting.	Feb 2023	See most recent Staff Report recommended interim actions and engage with Avista to participate in future IRP working groups.
Cascade	LC 76	2020 IRP Acknowledged April 28, 2021. See Order No. 21-127	Aug 2022	Engage with Cascade to participate in 2022 Technical Advisory Group.

Planning - Electric IRPs

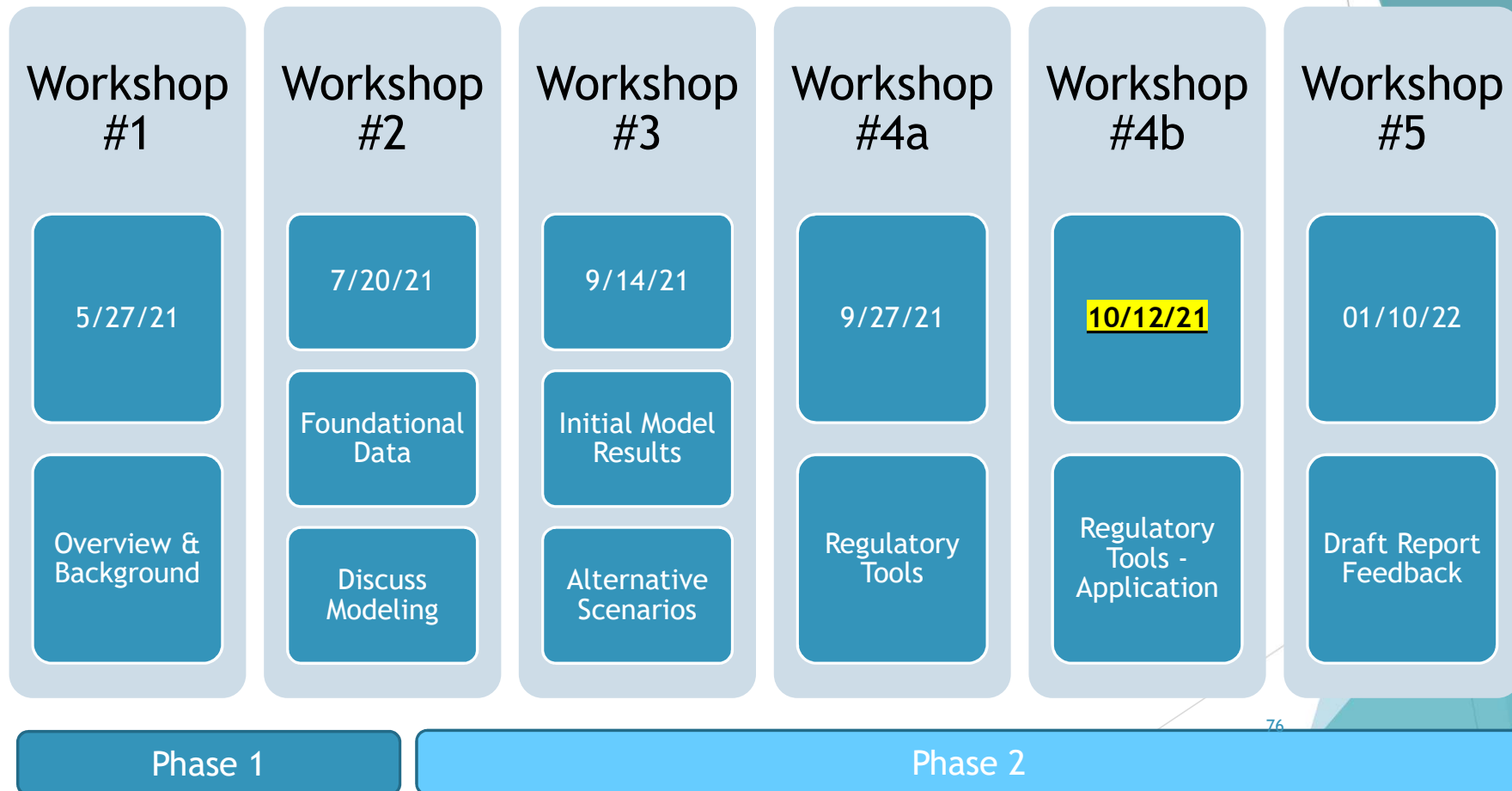
Company	Docket	Status	Anticipated Next Filing Date	How to get involved
PacifiCorp	LC 77	2021 IRP filed on September 1, 2021	Summer 2023	<ul style="list-style-type: none"> Join service list for LC 77. Join PacifiCorps IRP list on their website Participate in 10/1/2021 post-filing public-input meeting
Portland General Electric	LC 73	2019 IRP Update Order No. 21-129 filed May 3, 2021.	Spring 2022	<ul style="list-style-type: none"> Join PGE IRP list on their website Participate in their next Roundtable on 10/21/2021. Join PUC service list for next IRP when filed.
Idaho Power	LC 74	2020 IRP Acknowledged June 4, 2021. See Order No. 21-184	December 31, 2021	Engage with Idaho Power to participate in 2021 IRP Advisory Council meetings.

Ratemaking

Futher discussion in October 12, 2021 Workshop

Next Steps

Workshop Details



Workshop 4B – October 12

We want to hear from you:

- What tools are missing?
- Which tools are most relevant/important to Oregon? Now vs. later?
- How would you prioritize which tools to advance and when?

Closing Remarks and Feedback

Thank you!

EO 20-04 Website

<https://www.oregon.gov/puc/utilities/Pages/ExecutiveOrder20-04.aspx>

Comments or Questions

Email Staff with questions at one of the addresses below. Comments can be emailed to staff or directly to PUC.PUBLICCOMMENTS@puc.oregon.gov. Comments will be posted in the docket.

Contacts:

- Kim Herb: 503.428.3057 kim.herb@puc.oregon.gov
- JP Batmale: 503.551.9926 jp.batmale@puc.Oregon.gov
- Zach Baker: 503.881.4072 zachariah.baker@puc.oregon.gov



UM 2178 Workshop #4a September 27, 2021 Attendee List

The attendee list only includes the names as shared on Zoom and may be missing information

Abby Alter	Alina Nestjorkina - PGE
Megan Anderson - RAP	Sudeshna Pal - Oregon CUB
Zach Baker - OPUC	Tom Pardee - Avista Utilities
JP Batmale - OPUC	Mike Parvinen - CNG
Shawn Bonfield - Avista	Melanie Plaut
Kevin Booth - Avista	Elaine Prause - RAP
Ryan Bracken - NW Natural	Johanna Riemenschneider - DOJ
Rebecca Brown - NW Natural	Decker Ringo
Michael Brutocao - Avista Natural Gas	Brian Robertson - Cascade Natural Gas
Samantha Christenson - NW Natural	Greer Ryan - Climate Solutions
Hannah Cruz - Energy Trust of Oregon	MardiLyn Saathoff - NW Natural
Calli Daly	Carra Sahler - Green Energy Institute
Nikita Daryanani - Coalition of Communities of Color	Erin Saylor - Columbia Riverkeeper
Ashton Davis - CNGC	Amy Schlusser - Green Energy Institute
Angus Duncan	Marcus Sellers-Vaughn - Cascade Natural Gas
Patrick Ehrbar - Avista	Dan Serres - Columbia Riverkeeper
Jason Eisdorfer	Ryan Sigurdson - NWN
Edward Finklea - Northwest Industrial Gas Users	Natasha Siores - NW Natural
Amanda Ghering - Avista	Rebecca Smith - ODOE
Mike Goetz - Oregon CUB	Alyn Spector - Cascade Natural Gas
Kylie Grunow	Matt Steele - DEQ
John Gunnells - American Gas Association	Brian Stewart - Electrify Now
Kim Herb - OPUC	Chad Stokes - AWEC
Bob Jenks - Oregon CUB	Silvia Tanner - Multnomah County
Clint Kalich - Avista	Dave Vant - Climate Solutions
Scott Kinney - Avista	Sam Wade - RNG Coalition
Dan Kirschner - NWGA	Kyle Walker - NW Natural
Zach Kravitz - NW Natural	Stefanie Week - NW Natural
Abbie Krebsbach - Cascade	Robert Wyman - NW Natural
Mark LeBel - RAP	Jessica Yarnall - Sierra Club
Tamy Linver - NW Natural	Jen Yocom - NW Natural
Tim Lynch - Multnomah County	Phil Zirngibl
Lauren McCloy - NWEA	
Colin McConnaha - DEQ	
Lisa McGarity - Avista	
Devin McGreal - Cascade Natural Gas	
Kevin McVay - NW Natural	
Chris Mickelson - Cascade Natural Gas	
Rose Monahan - Sierra Club	
Vincent Morales - RNG Coalition	
Kathy Moyd - LWVOR	
Eric Nelsen - NW Natural	