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To: [HERB Kim * PUC](#); [PUC PUC.FilingCenter * PUC](#)
Subject: UM 2178 Workshop 4b Materials
Date: Tuesday, October 5, 2021 5:00:54 PM
Attachments: [Tool Matrix Revised FINAL.xlsx](#)

Dear UM 2178 / Natural Gas Fact Finding Stakeholders,

PUC Staff looks forward to continuing the regulatory tools conversation in Workshop 4b, which will be held on October 12 from 9:00 to 12:30. The workshop will consist of three consecutive sessions addressing the regulatory tools introduced in Workshop 4a on September 27: Planning, Programs, and Ratemaking. The Regulatory Assistance Project (RAP) has worked with PUC Staff to develop a Regulatory Tools Matrix spreadsheet and a set of questions that will help stakeholders prepare for the discussion and for the comment period following the workshop.

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[Regulatory Tools Matrix:](#)

The Regulatory Tools Matrix spreadsheet is attached. Stakeholders are not required to fill out this spreadsheet, although they may find it a useful device for participating in the workshop and are invited to share their completed versions of it with staff in their comments.

About the Matrix:

- Intent of matrix is to help stakeholders explore and consider potential regulatory tools in advance of workshop 4b and to help structure associated comments on next steps for the report
- The matrix is not intended to be comprehensive and is just one approach to thinking about these pieces
- When exploring tool options consider whether combinations of tools, or specific sequencing of tools maybe useful or important for implementation
- Blue text in the matrix provides additional guidance on how the spreadsheet can be used
- Blue boxes in the matrix indicate areas where Staff encourages stakeholders to consider entering in their responses. ***Staff will strive to capture stakeholder responses during the breakout sessions and encourages stakeholders to use this matrix as a tool for organizing thoughts to be shared verbally during the workshop and / or in written form during the comment period after the workshop. However, Staff welcomes submissions of completed forms as well.***
- Staff welcomes feedback and suggestions about using this matrix

[Questions for discussion at Workshop 4b and for the comment period following:](#)

In addition to questions about the overall drivers and rationale for the use of regulatory tools at the PUC, Staff invites stakeholders to consider the topic-specific questions listed below in advance of the workshop. In addition to what Staff hears on these topics at the workshop, stakeholders are encouraged to share their responses to these questions after the workshop during the comment period. We ask that written comments after Workshop 4b be filed by October 26.

- Overall:
 - What customer impacts related to Oregon's natural gas decarbonization efforts do you think are most important for the Commission to address?
 - What are the most important regulatory tools or policies the PUC can use to address these impacts?
 - Why are your suggested tools or policies important? What specific problem do your suggested tools or policies address?
 - What additional information does the Commission need to inform ongoing work as it considers available options? How can it obtain that information?

- What are the combinations of tools you think would best address potential customer impacts? Over what timeline?
- Planning:
 - How can existing planning processes be utilized or expanded to incorporate changing circumstances?
 - What can be done within the existing framework to integrate with electric utility planning (e.g., timing of planning efforts, information exchange, requirements to cross-reference information, requirement for input from gas/electric utilities)?
 - What needs to be changed or added to develop a more integrated planning approach?
- Programs:
 - What programmatic tools would you recommend that Commission implement immediately, near-term, and long-term to facilitate meeting climate goals with least risk to customers?
 - Why would you prioritize these tools over others?
- Ratemaking:
 - What ratemaking tools would you recommend that Commission implement immediately, near-term, and long-term to facilitate meeting climate goals with least risk to customers?
 - Why would you prioritize these tools over others?
 - What should be the trigger for adopting a particular ratemaking tool?

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If you have any questions about Workshop 4b, please feel free to contact me directly.

Best,
Kim

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UM 2178 - Natural Gas Utility Fact Finding Investigation 10/12/21 Workshop 4b

Guidance for this tool:

- *Intent of matrix is help stakeholders explore and consider potential regulatory tools in advance of workshop 4b and to help structure associated comments.*
- *Tool is not intended to be comprehensive and is just one approach to thinking about these pieces*
- *Staff welcomes feedback and suggestions about using this matrix.*
- *Please consider how combinations or the sequencing of tools may be useful*

New Uncertainties to Consider

- Alt. fuels (RNG/H₂) - supply/demand, costs, infrastructure, safety/technical limitations, timing
- CCIs: Availability
- Electrification: Customer / load attrition / costs / emissions
- Energy Efficiency (EE) - new technologies, cost effectiveness
- Transport customer long term load forecast

Overall, greater uncertainty than business as usual case

Risks

- Viable resource options are more / less than planned
- As we take time to learn and plan, utilities continue to
- Existing policies limit options
- Uncertain / unknown impacts of new policies

Potential Customer Impacts

- Higher costs overall due to compliance
- Customer attrition/fewer customers over which to share costs - rates increase
- Stranded assets, system infrastructure no longer used and useful sooner than anticipated when constructed/overbuilt
- Low income - energy burden increases due to higher rates - disproportionate impact
- Risk of non compliance if resource options are not available or do not produce as expected, higher costs from penalties

Your Priority Customer Impact

How would you describe the most important customer impact(s) for which the Commission may need new or modified tools to address?

Regulatory Tools

Goal	Area & Objectives	Tools/Actions	Examples	Targeted Outcome	Influence (H/M/L) <i>How much influence will implementation of this tool have in addressing customer impacts</i>	Timeline (short/long) & When to start (emo-1yr/1yr+) <i>How long should it take to implement this tool (short<1yr vs long 1+yr) and when should we start to explore it's use? (within 1yr, beyond 1)</i>	Resources needed to implement (H/M/L) <i>How resource intense might implementation of this tool be? Resources include stakeholder / utility / staff time plus \$ for studies, etc</i>	Applicability across potential futures (one vs many) <i>Based on discussions of potential futures and scenarios, would this tool apply in just one future or more broadly across many possible futures?</i>	Priority (H/M/L) <i>Based on your assessment of likely customer impact and of how this tool may address that impact, how would you prioritize the exploration of use of this tool?</i>
Long term, broad view	Planning - 1) Improve transparency/insights into Gas utility planning processes, 2) ensure all options fairly considered, 3) uncertainties in technology/policy/markets, etc. reasonably considered, 4) reasonable action plan resulting Align investments	Update IRP modeling objective for CPP compliance	Model emissions, transport customer load contribution to emissions, support for assumptions on new resource supply curve (studies, etc), scenarios to stress policy beyond CPP, multistate utilities to provide OR specific impacts	Modified IRP objective and complementary inputs/assumptions with supporting data and analytical rigor					
		Expand IRP analysis/reporting/detail required in filings for acknowledgement	Stress compliance options assumptions in scenarios, explore more detail in modeling (distribution system planning needs) and bill impacts, analyze scenarios that include cross-sectoral assumptions, require hourly emissions data reporting, update / expand risk analysis	Better informed planning process, commission and stakeholder confidence in ensuring action plan in customer interest					
		Expand to comprehensive investigation of energy planning across gas and electric utilities	Outputs would inform assumptions in individual utility planning, IRPs	Coordinated view - electrification assumptions in gas planning, alternative fuels in electric					
		Add others here							
Actions to facilitate GHG reduction	Programs/policies - Align policy and program designs with goals Minimize / Lower total new investments - Equity in benefits	Revisit fuel switching policy	Explore changes to fuel switching barriers in Energy Trust program designs	Customers may receive program incentives for cost effective options					
		Review cost effectiveness (CE) test for energy efficiency (EE), including activities that may be involved in CE electrification.	Investigation of CE of EE, benefits revisited	Additional EE, higher up supply curve could be pursued by Energy Trust. NEA explores more technologies.					
		Commission studies to gather data for new potential programs - customer end use and equipment data	Similar to Energy Trust EE potential study, expanded applying new electrification CE guidance	Provides underlying basis for Energy Trust to offer electrification, costs/benefits/incentives					
		Expand Targeted Demand Side Management (TDSM)	Combine Distribution System plan identification of constrained areas with targeted EE/electrification/demand response, district energy, etc	Reduces system investment/upgrades, minimizes stranded costs					
		Target programs to disadvantaged communities	EE / electrification / TDSMs customer programs specifically designed to meet community needs	Lessen energy burden, promotes equity in planning if customer attrition					
		Explore pilots	Example could include green H2 % in pipelines, green H2 industrial applications	Informs planning, improves underlying assumptions					
		Review PUC rules/guidance for barriers to meeting goals	Review of SB 98 PUC rules for RNG	Harmonize with other activities to better achieve goals					
		Add others here							
Lower short term barriers, enable an equitable and efficient long term transition	Ratemaking - Specific regulatory tools to be adapted/adopted to address customer impacts, in the public interest - lower the rate base, decrease risk of rate impacts, equity	Line extension policy review	New gas customer contribution increases	Discourage new growth with attendant incremental system investments					
		Modify depreciation (e.g. accelerate or decelerate)	Similar to electric IOU coal retirement preparation - review of capital investments existing and new/ proposed, limit lifetime over which used and useful / depreciated. Could apply only to new investments with lifetimes exceeding 30 or 20 years or some exclusions, etc. Alternatively, consider decelerating depreciation to encourage new technologies.	Acceleration increases short term rates modestly over larger customer base and usage, mitigates future issue of remaining customers bearing the stranded costs. Deceleration decreases rate impacts by spreading costs over longer time periods.					
		Rate designs to improve efficiency and reduce fixed charges	Review cost allocations and rate designs for potential to consider higher variable cost to encourage efficiency for example	Costs are spread fairly - Promoting energy efficiency, reducing load, minimizing new infrastructure costs					
		New Low Income rate	New customer tariff designed with no increased burden or net benefit	Limits cost increase to those customer unable to switch fuels					
		Decoupling, overall revenue vs. revenue per customer based	Review existing decoupling mechanisms	Removes throughput bias for utility generally, based on overall revenue may expand electrification alternatives					
		Performance based mechanisms	New capital infrastructure investments could be limited to lower RORC with complementary performance incentive mechanisms for utilities to earn on incremental EE, electrification programs, Non Pipeline Alternatives, etc. to share increased risk with shareholders yet not lower potential earnings	Lessen utility bias for capital investment, align opportunity to earn with public interest/policy goals					
		Add others here							