

October 28, 2020

Megan Decker, Chair, Oregon Public Utility Commission  
Letha Tawney, Commissioner  
Mark Thompson, Commissioner

Re: Comments in Response to PUC Draft Work Plans for EO 20-04

Dear PUC Commissioners and Staff,

We appreciate your diligent efforts developing the draft work plans to identify and manage the numerous valuable activities the Public Utility Commission can undertake to help reduce greenhouse gas emissions in accordance with the goals and intent set forth in EO 20-04. The draft work plans set forth several important steps that we believe will help the PUC and regulated utilities to make needed progress toward reaching the state climate and equity goals in EO 20-04.

Many of our organizations have provided detailed comments on the overall plan and other specific elements like Transportation Electrification through separately-submitted coalition comments. **Our organizations felt it necessary to submit these specific comments to identify a glaring omission in the draft work plans: a plan to specifically assess the future role of “natural” gas in Oregon and how it fits into achieving the state’s greenhouse gas goals.**

The future of fossil gas (a.k.a., “natural” gas) is very much in question as Oregon and other states take the climate crisis seriously and move towards a decarbonized energy system. In order to meet the science-based greenhouse gas targets of 45% below 1990 levels by 2035 and 80% by 2050 set in EO 20-04, and as further mandated for the natural gas sector in DEQ’s cap and reduce program (currently under development, to start January 2022), the transition from fossil fuels to zero carbon alternatives like clean electricity must accelerate swiftly in the coming years.

**Oregon’s fossil gas use and emissions are currently rising.**

In Oregon, despite the state’s long-term greenhouse gas reduction goals, and the Governor’s EO 20-04, fossil gas use and emissions are on the rise, not a declining trajectory. According to the Oregon Department of Energy (ODOE) and the Oregon Department of Environmental Quality (DEQ), roughly 7.3 MMT (12%) occur from direct use of fossil gas, and around 6.1 MMT (10%) from gas used in the electricity sector. Considering these totals only include greenhouse gases produced at the point of combustion (and not through methane releases at the point of extraction and in transport), fossil gas already accounts for roughly 22% of Oregon’s greenhouse gas emissions. That means the state’s emissions from fossil gas is second only to transportation fuels (40%).

ODOE has further documented increases in fossil gas usage and emissions in the Oregon electricity sector over the past four years (from 4 to 4.33 MMT). For context, Oregon's overall 2020 greenhouse gas target was to be 10% below 1990 levels by 2020, but total emissions in 2020 are closer to 10-15% above 1990 levels. We're very far off track.

With the recent closure of the Boardman coal plant and coming divestment of PGE and Pacificorp from Colstrip, that trend of increasing gas use is expected to continue and potentially accelerate without further legislative or PUC direction. The Oregon Energy Facility Siting Council even issued a site certificate for a proposed new 415 MW fossil gas power plant in Eastern Oregon that, if built, would be among the state's largest stationary sources of greenhouse gas emissions. Similarly, with no current policies against continued expansion of the use of fossil gas in homes and buildings, emissions continue to rise in that sector as well.

The PUC cannot passively wait to see what impact the DEQ's cap and reduce program and broader electrification trends have on the gas system as the gas utilities aggressively expand their system, as noted in the current draft work plans. This trajectory of increasing fossil gas use and emissions in both the electricity and heating sectors is unsustainable. Without assessment guiding prudent decisions soon, these current trajectories will not enable the utilities regulated by the PUC to reach the greenhouse gas goals in EO 20-04.

**Incongruent pathways for how to economically and rapidly decarbonize the gas sector.**

Deep decarbonization studies consistently find that the current level of fossil gas use must start to decline sharply within the next few years to meet science-based greenhouse gas targets by 2050. Utilizing 100% clean, zero-emission electricity to replace fossil fuels with transportation electrification and highly-efficient electric appliances and other beneficial electrification applications in the built environment are consistently identified among the most economically and technically efficient means to reach these declining greenhouse gas targets over time. If done right, Oregon's efforts to meet greenhouse gas emission goals will drive down demand for fossil gas over the coming decades.

Conversely, studies by Oregon Department of Energy, among others, demonstrate the practical, technical and economic limits of the vision proposed by the natural gas companies to completely decarbonize their product through renewable natural gas and hydrogen without downsizing their gas sales and system.<sup>1</sup> While Northwest Natural has set an aspirational goal of reducing its greenhouse gas emissions by 30% below 2015 levels by 2035, that would likely still leave fossil gas emissions 30% or more above the statewide emissions levels projected in Governor Brown's Executive Order 20-04 for 2035.<sup>2</sup> It also bears noting that this company goal

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<sup>1</sup> Oregon Department of Energy, "2018 Report to the Oregon Legislature: Biogas and Renewable Natural Gas Inventory SB 334 (2017)," showed that the maximum volume of RNG potential in Oregon over the next few decades could, at best, replace 17.5% of the current annual use of fossil gas. This inventory of RNG potential did not include the cost or full technical feasibility of reaching this level, nor a ranking of highest and best use of this low carbon replacement for fossil gas. <https://www.oregon.gov/energy/Data-and-Reports/Documents/2018-RNG-Inventory-Report.pdf>

<sup>2</sup> Assumes all fossil gas emissions are reduced by 30%, not just NW Natural's, but some commercial gas use is directly purchased by commercial customers and could be higher or lower in 2035. See OGWC

is entirely aspirational, with no enforcement mechanism, no accountability if it is not met, and major inherent challenges to achieving even these limited reductions. Despite these realities, Oregon's gas utilities continue to aggressively expand their system and product sales, offering incentives to switch to gas appliances and fighting to undermine electrification efforts in the state.

### **Rising infrastructure costs and risks of stranded assets.**

Accelerating trends of local jurisdictions passing policies to stop fossil fuel expansion and use, and especially to stop building new fossil fuel infrastructure – coupled with the growing awareness and demand by the public to replace fossil fuels with clean energy alternatives – indicate that a major reduction of fossil gas sales, customers and the fossil gas system is likely on the horizon for Oregon. Oregon is also the last state on the West Coast to adopt a 100% clean electricity policy, with broad expectation that it will pass soon at the state legislative and/or federal level, significantly changing and limiting the role of gas power plants.

At the same time, gas utilities, along with their regulators and customers, will continue to face rising infrastructure costs of an aging gas system. However, now in a decarbonizing and electrifying world, millions of dollars could be spent as the gas system retracts and then be expected to be shouldered by a declining base of ratepayers, especially those low income ratepayers and renters who have the least means to switch off the gas system. These trends raise major questions for the PUC about how the current gas system is being operated along with the risks of stranded assets, fairly spreading the rising costs and trade-offs of a reliable and safe gas system. Similar questions are being raised by aging gas plants (like Port Westward). The infrastructure ensuring through-put of fossil gas for power plants and the built environment are interrelated. The PUC should create a framework now for weighing trade-offs between cost and need for repair and replacement in context of rapid decarbonization and the related likelihood for declining gas throughput starting this decade.

Based on these looming trends as climate action is further prioritized, it is imperative that the PUC begin to assess the future of fossil gas now in a proactive fashion. The PUC should not wait further as greenhouse gas emissions continue to rise and decisions are made that could have long-term adverse impacts on the state and ratepayers. Proactively assessing the future of gas and managing this transition is in the best interest of customers and a stable climate.

### **Other jurisdictions are investigating the future of gas.**

Prudent regulators in leading states seeking to reach similar greenhouse gas targets have opened specific regulatory proceedings to investigate these crucial questions of the changing profile of gas use to meet necessary climate goals, balancing an aging infrastructure to ensure safety and reliability with the need to avoid stranded costs, and cost effectively protecting remaining gas customers from increasing rate impacts. California's Public Utility Commission

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2018 Report, pp. 78-79; see also, Portland Tribune, "NW Natural charts a green energy path," April 27, 2017, <https://pamplinmedia.com/pt/9-news/356264-235555-nw-natural-charts-a-green-energy-path>

opened a future of gas docket in January 2020.<sup>3</sup> New York’s Public Service Commission opened a future of gas docket in March of 2020.<sup>4</sup> In June 2020, Massachusetts’ Attorney General called for the Massachusetts Department of Public Utilities to open a future of gas docket as well.<sup>5</sup>

At the same time, some municipalities in those and other jurisdictions have begun to grapple with prohibiting future fossil gas hook-ups for new construction (see, e.g. Berkeley and San Jose, CA, Brookline MA, New York City, and Honolulu HI), and/or requiring existing commercial buildings to reduce their greenhouse gas emissions over time (see, e.g. New York City, Washington D.C., St. Louis, and Washington state).

**Recommendation:**

**We recommend that the Oregon PUC open a proceeding on the Future of Fossil Gas in 2021, to last no more than 18 months, and specifically consider at a minimum the following key issues:**

- (1) How Oregon can achieve long term greenhouse gas reductions economy-wide and with respect to the fossil gas sector consistent with the goals set forth in the Governor’s Executive Order 20-04;**
- (2) Risk to overdevelopment of fossil gas pipelines and power plants, and potential resulting stranded assets;**
- (3) Risk to ratepayers, especially low income ratepayers, to remain customers of a fossil gas retail provider, in the event of a critical mass of customers switching from fossil gas to electric options; and**
- (4) Options available to gas ratepayers, especially low income ratepayers, for meeting space and water heating needs with existing and emerging technologies that reduce GHG emissions in cost-effective ways, regardless of existing legacy fuels; and means for accomplishing such transitions that do not impose undue cost burdens on low income customers.**

Thank you for consideration of our comments and your dedication to this critical work.

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<sup>3</sup> California Public Utility Commission, “Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning,” January 16, 2020:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M324/K792/324792510.PDF>

<sup>4</sup> New York State Department of Public Service, “Proceeding on Motion of the Commission in Regard to Gas Planning Procedures,” March 19, 2020:

<http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=20-G-0131&submit=Search>

<sup>5</sup> Office of Massachusetts Attorney General, “AG Healey Calls on the Department of Public Utilities to Investigate the Future of Natural Gas Utilities in Massachusetts,” June 4, 2020:

<https://www.mass.gov/news/ag-healey-calls-on-the-department-of-public-utilities-to-investigate-the-future-of-natural-gas>

Sincerely,

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